FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 27,954 Thursday August 30 1979 ***20p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 25; DENMARK Kr 4.25; FRANCE Fr 3.5; GERMANY DM 2.0; ITALY L 700; NETHERLANDS Fl 2.0; NORWAY Kr 4.25; PORTUGAL Esc 35; SPAIN Pta 60; SWEDEN Kr 3.75; SWITZERLAND Fr 2.0; EIRE 20p

NEWS SUMMARY

GENERAL

Irish killers 'known to police'

Irish police believe they know the identity of Lord Mountbatten's killers and the Irish Government has offered a £100,000 reward for information leading to their arrest and conviction.

The Republic's deputy Prime Minister, George Colley, said the information the police already had was insufficient for people to be convicted.

Two men due to face explosives charges in Dublin today are being questioned about the blast which killed Lord Mountbatten and two members of his family. They were arrested on Monday before the lunchtime explosion on Lord Mountbatten's boat.

Mr. Colley, deputising for Premier Jack Lynch who is on holiday in Portugal, refused to comment on a suggestion that the men police think were responsible were already under arrest.

The Vatican said that Pope John Paul will not visit Ulster during his visit to Ireland at the end of the month "because of the atrocities of the last few days."

Vatican officials had indicated recently that the Pope planned a brief visit to Armagh.

But the Prime Minister, Mrs. Thatcher, went to South Armagh during a surprise visit to Ulster yesterday. Dressed in combat jacket and UDR beret she dropped in by helicopter on the heavily guarded army and police post in the border village of Crossmaglen which has frequently been attacked by IRA bombs and mortars.

Earlier she paid a walkabout visit to Belfast city centre and went to a hospital to speak to victims of terrorism.

Paul Maxwell, the 15-year-old boat boy killed with Lord Mountbatten, was buried in Enniskillen, County Fermanagh. The bodies of Lord Mountbatten, his 14-year-old grandson and the Dowager Lady Brabourne, aged 82, will be flown home today.

Khomeini defied

Kurdish insurgents rejected a call to surrender from Ayatollah Khomeini, Iran's unofficial head of state, and said they were determined to fight on. Back Page

Couple freed

A young French couple escaped a 60-day jail sentence for breaking anti-rabies laws by bringing a cat into Britain. The man's employers paid the couple's fines, totalling £1,000.

Population call

An urgent international effort over the problem of world population growth was called for by Edward Heath, the former Conservative Prime Minister, at a conference in Sri Lanka. Page 4

Britons held

South African detectives arrested nine Britons after seizing about £500,000-worth of cannabis at a suspected drugs factory in a Capetown suburb.

Sardinia move

Italy's security and anti-terrorist chief, General Carlo Alberto Dalla Chiesa, has flown to Sardinia, where 10 people have been kidnapped in the last two weeks. Page 3

Briefly . . .

Two dockworkers died after being thrown into the water when a cargo ship hit the dockside at Southampton. A third man was hurt in a rescue attempt.

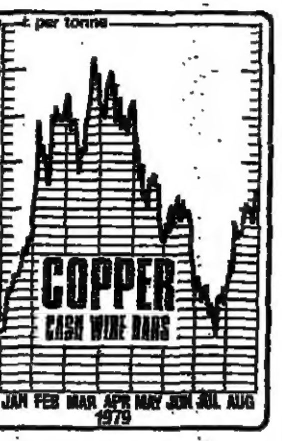
Johnnie Ray, cry-baby crooner of the 1950s, arrived in London at the start of a two-week British tour.

BUSINESS

Gold at new high Copper up £26½

● GOLD rose $1¼ to a record $316¾ close in active trading in London.

● COPPER continued to rise, with cash wirebars up £26.5 to



£921 a tonne, their highest for three months. Page 27

● EQUITY trading improved in leading shares and the FT Ordinary index closed 1.5 up at 466.3.

● GILTS undertone was firm on overseas interest and the Government Securities Index put on 0.21 to 73.64.

● STERLING continued to advance and closed 30 points up at $2.2525. Its trade-weighted index rose to 72.1 (71.9) and the dollar improved to 85.0 (84.9).

● WALL STREET was 0.17 up at 884.81 just before the close.

● BRITAIN'S merchant fleet earned a net surplus of £942m in foreign exchange last year, almost £100m less than in the previous year. Page 6

● ENGINEERING Employers Federation is taking tough action against members who have reached unilateral agreements above the national pay offer in the face of industrial action by CSEU employees. Back Page

● PAN-OCEAN, operator of the £700m Brae oilfield development project, has announced two key contracts — both won by UK companies — one worth up to £5m for facilities design and one for project support services. Page 6

● SINCLAIR RADIONICS, the National Enterprise Board subsidiary, has sold its Microvision pocket television manufacture to Binatone, an importer and manufacturer of radios and television games. Back Page

● DAVY INTERNATIONAL and BSC are making a joint bid for the design and construction of a £1bn integrated steelworks in India. Page 6

● STEEL industry has made representations to the Industry Secretary that restraints on exports of British steel scrap should be largely abolished. Page 6

● COMMERCIAL UNION plans to pool resources with National Mutual Life Association of Australasia in an effort to develop its interests in Australia. Back Page

● PLAYBOY CLUBS of London is to buy Norwich Enterprises, owner of the Victoria Sporting Club casino in a £6m deal which overtakes one by former chairman of Mecca, Eric Morley and Laurie Marsh. Back Page

COMPANIES

● LADBROKE Group pretax profits for the half year ended July 3 rose by 20 per cent from £13.8m to £16.7m on turnover up at £257.3m against £221.4m. Page 19 and Lex

● ASSOCIATED Dairies pretax profits for the year to April 28 rose from £26.2m to £41.01m on turnover ahead from £536m to £791m. Page 18 and Lex

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES					
Avana	115	+ 5	Savoy B	675	+ 55
Avon Rubber	170	+ 14	Tomatin	188	+ 5
Benlox	28	+ 3	Aran Energy	165	+ 7
Crouch Group	80	+ 6	BP	1145	+ 15
Davenports' Brewery	109	+ 9	Ultramar	322	+ 7
Denbyware	128	+ 7	Castlefield (Klang)	323	+ 13
First Nat. Fin. 9¾pc Conv. '82	£70	+ 7	Kinta Kellas	165	+ 12
			Eagle Corp.	14¼	+ 5
			Johannesburg Cons.	£18¼	+ ½
Fogarty (E.)	363	+ 8	Oakbridge	95	+ 5
Hawley Leisure	41	+ 2½	Pacific Copper	112	+ 6
Hunting Gibson	290	+ 15	Swan Resources	20½	+ 2½
National Carbonising	77	+ 4	FALLS		
News Intl.	158	+ 5	Assoc. Dairies	263	− 7
Nurdin & Peacock	126	+ 10	British Home Stores	248	− 15
Pearl Assurance	250	+ 4	Cement - Roadstone	79	− 3
Provident Financial	96	+ 3	Decca A	288	− 7
Quick (H. & J.)	45½	+ 2	GUS A	400	− 6
Sandeman	87	+ 5	Robinson (T.)	74	− 8
Saville Gordon (J.)	45	+ 3	Stylo Shoes	235	− 6

Nations warned of dangers in tighter monetary policies

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENTS of the main industrialised countries, including the UK, are in danger of aggravating the adverse impact on output and jobs of the latest round of oil price rises by their own actions the National Institute of Economic and Social Research says today.

The warning is given in the quarterly economic review of the institute, an independent research organisation. It argues that the policy reaction to higher oil prices looks like being less enlightened and more deflationary than in 1974, even though the recession is not likely to be as deep as that in the mid-1970s.

Instead of adopting contractionary fiscal and monetary policies, the proper response to higher oil prices is one of some accommodation.

The review suggests that industrialised countries could prevent the oil price rise from having the dual effect of deflating their economies and exacerbating the wage-price spiral by cutting non-oil indirect tax rates. This would leave the domestic price level unchanged.

The institute is critical of the UK Government's policies as embodied in the mid-June Budget. It questions whether a

COMPARISON OF FORECASTS

		National Institute % change	London Business School
Gross Domestic Product	1979	0.5	1.6
	1980	0.5	−0.4
Consumer spending	1979	4.2	3.0
	1980	1.9	2.0
Consumer price inflation	1979	12.7	12.6
	1980	13.8	14.1
Unemployment (Gt. Britain)	end-1979	1.33m	1.33m
	end-1980	1.61m	1.6m
Current account £m	1979	−1,687	−610
	1980	−400	−830

deflationary policy stance will help to bring about the Government's objective of a lower inflation rate.

The prospect of very little further rise in output in the UK and increasing unemployment up to the end of next year is, according to the institute, partly the consequence of the present contractionary policies.

The latest forecasts are much gloomier about the short-term outlook for the UK than the last projections in May. In particular, expectations about economic growth have been downgraded and a deficit is expected on the current account of the balance of payments over the next 18 months rather than the big surpluses previously forecast.

The main reasons for the more pessimistic view are the impact of the Budget changes, the unexpectedly rapid growth of imports this year and the sharp rise in sterling.

The institute is one of the main strongholds of traditional neo-Keynesian views of how the economy works, but its projections are broadly similar to those produced last month by the monetarist London Business School.

Both organisations expect a slow rate of economic growth over the next year, with a rise in the level of adult unemployment in the UK from 1.2m at present to over 1.6m by the end of 1980.

Similarly, both groups expect that, in spite of the recession, real incomes and consumer spending should continue to rise, though more slowly than over the past two years. This is in contrast to the mid-1970s when consumer spending fell.

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Five Lloyd's syndicates told to stop trading

BY JOHN MOORE

FIVE LLOYD'S underwriting syndicates have been told to stop trading because of fears that they may have accepted more business than permitted.

The instruction came yesterday from the syndicate's managing agent, Ashby and Co., which looks after the affairs of syndicates' members.

Mr. Ian Findlay, chairman of Lloyd's, received a letter from Ashby and Co. yesterday. It said that matters relating to certain risks "underwritten or alleged to have been underwritten by syndicates 753, 751, 750, 752 and 757 have come to our attention which cause us concern, in particular with regard to the premium income limits of those syndicates."

The agent added that it had instructed the top insurance lawyers Elborne Mitchell, "who have advised that an immediate investigation should be carried out into the circumstances in which the risks were placed and their consequences."

Robert Bishop (Adjusters) have been retained to conduct the investigation.

Because many of the insurances placed originate from the U.S., Anthony M. Lanzone and Associates, New York attorneys, have been engaged by the agent.

Although the problem is believed to centre on one syndicate, 751, of over 300 members, Ashby said that because it would have to devote its entire resources to this matter the other syndicates would have to cease underwriting for the moment.

Ashby regards the move as a temporary arrangement, but said in its letter to the chairman of Lloyd's that the syndicates would "not resume underwriting without the prior approval of the committee of Lloyd's."

The difficulties are believed to centre on the general insurance account of syndicate 751.

Syndicate 751 members joined the syndicate through the Ashby managing agency and several other influential managing agents in the Lloyd's market, such as Stenhouse Reed Shaw (Underwriting Agencies); Osborne Bell and Co. (Underwriting Agencies); and Oakley Vaughan (Underwriting).

Under Lloyd's rules the Committee of Lloyd's sets a premium income limit for each member joining Lloyd's which must not be exceeded in underwriting.

Because nearly three-quarters of the more than 17,000 members of Lloyd's do not work in the market, this aspect is looked after by the working members of Lloyd's such as the underwriters and agents.

Lloyd's told the Wilson Committee that this limit was twice the member's declared readily realisable assets.

Any overwriting is disclosed to the committee only through the returns made by the syndicates after the event, at

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U.S. indicators index down

BY DAVID BUCHAN IN WASHINGTON

THE U.S. index of leading economic indicators fell 0.4 per cent last month after a similar drop in June. The downward movement in the index, considered a key barometer of future economic trends, would seem to confirm predictions that the U.S. is sliding into an economic recession.

Higher interest rates, pushed to record levels by the Federal Reserve Board to try to dampen inflation, are also expected to accentuate the slowdown in U.S. economic growth.

The prime rate, offered by major banks to their best customers, reached 12¼ per cent this week, while the Fed has pegged its own discount lending rate at a record 10.5 per cent. Mr. Paul Volcker, the new Fed chairman, has said no decline in money rates can be expected until a slowdown in the surging U.S. inflation rate.

Nonetheless, the July drop in the leading indicators is not by itself a conclusive pointer to recession. The trend of the last two months' declines may accord with the 2.4 per cent drop in real output in the second quarter of the year, while the gross national product performance in the present quarter is not expected to be much better.

But the index is volatile. Most economists say it must move in the same direction, up or down, for three successive months before a firm trend can be deduced. And, after plunging 2.2 per cent in April, the leading index recorded a 0.2 per cent rise in May.

The Commerce Department said yesterday that the main reason for the overall index's July drop was slower deliveries of goods from factories to businesses. This was to be expected during a time of slowdown and uncertainty about the economy, with businesses trying to keep their stock levels down lest a full-blooded recession emerge.

Other components of the index which fell last month were contracts and orders for new plant and equipment and manufacturing orders and the level of building permits issued.

These decreases more than offset firmness in the other six components of the index, including the length of the work week and the rate of job lay-offs.

Unemployment, however, is forecast by the Administration to rise in coming months.

The slowdown in the U.S. economy appears to be having one beneficial effect. The July trade deficit was this week reported to have narrowed to $1.1bn (£489m) from $1.9bn in June. The smaller deficit was attributed by slacker demand for foreign goods, as well as increased exports.

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For latest Share Index 'phone 01-246 8026

Vauxhall loses £1.9m in first half

By Kenneth Gooding, Motor Industry Correspondent

VAUXHALL MOTORS, the UK subsidiary of General Motors which is negotiating over pay, lost £1.977m net in the first half of this year compared with a £4.28m profit in the same period last year.

Mr. Ferdinand Beickler, the new president and managing director, described the results as disappointing but suggested that the second half-year might see a considerable improvement "as productivity is increased."

Last year, Vauxhall recorded its first net profit for seven years: £1.976m, compared with a £2.18m loss in 1977.

This year's first-half results were depressed by the hauliers' dispute in the early weeks and by internal disputes. Mr. Beickler also blamed poor productivity.

In the second quarter, matters improved, but not enough to offset the losses in the first three months.

"If we are to strengthen the company's position and ensure a growing future in this fiercely competitive business, it is imperative that we greatly increase productivity." Mr. Beickler, who joined Vauxhall this month, declared.

"This is our priority task and I look forward to working with the Vauxhall team to achieve this vitally important objective."

Demand for Vauxhall cars and Bedford commercial vehicles remained strong in the half-year but Vauxhall failed to produce enough cars to meet it. "We expect this high demand to continue, even though total industry sales may drop below the high levels of the first half of the year."

The car production difficulties, including those after the transfer of Cavalier assembly from Belgium to the UK, prevented Vauxhall from taking advantage of the extremely buoyant home market. In the first seven months of 1979, its UK market share slipped from 8.56 per cent at the same stage last year to 6.64 per cent. During the period, 71,971 Vauxhalls were registered, compared with 79,808, while the total

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Vauxhall Mersey plant halted. Page 11

£ in New York

—	Aug. 28	Previous
Spot	$2.2430-2445	$2.2455-2.2450
1 month	0.32-0.26 dis	0.31-0.27 dis
3 months	0.88-0.82 dis	0.94-0.88 dis
12 months	3.20-3.05 dis	3.54-3.22 dis

Marks and Spencer to cut prices

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

MARKS AND SPENCER yesterday launched an £11m package of price cuts lasting at least until Christmas. The action sparked off fears that a major price war between High Street stores may break out.

The M and S move—its first major price cutting campaign since the early 1960s—follows a sharp drop in sales volume after the increase in Value Added Tax imposed in the June Budget.

M and S said yesterday that sales were running about 5 per cent below the target set in the company's internal budgets. M and S sales in the last financial year totalled £1.5bn, with pre-tax profits of £162m.

The company has plans for price cuts ranging between 10 and 15 per cent on a selected 250 fast-moving items from among the more than 3,200 different food and clothing items stocked.

The value of the cuts financed by M and S itself in the crucial trading period up to Christmas represents about £7m. A further £4m in "savings" to customers will be achieved by suppliers agreeing not to implement imminent price rises.

M and S is understood to be financing the cuts by imposing tighter control on its operating costs, including a cutback in staff recruitment, as well as a slight reduction in profit margins.

Price cuts on some 100 items have already been implemented in the company's 252 stores throughout the UK, while the remaining 150 price cuts are due to be introduced next month.

M and S said the decision had been forced by rising costs, increasing inflation, and a slump in consumer demand.

But the fact that M and S has moved away from its traditional aloofness over pricing — its usual strategy is to ensure the quality is right rather than concentrate on the price level—suggests that the prospects for the retail trade may be worse than had previously been thought.

The City had already anticipated the effect of the slump in volume sales on M and S and had marked down its shares over the past week. Yesterday M and S shares fell by only a further 1p to close at 108p.

But fears of a price war to rival the continuing competition between supermarket multiples meant that British Home Stores shares fell 15p yesterday to 248p.

Shares in some M and S suppliers also were marked down over the uncertainty caused by restricting necessary price rises in goods supplied to the company.

There was also a feeling among some retailers yesterday that M and S may have overreacted to the short-term fall in volume sales following the Budget.

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Diamond prices up 13%

BY KENNETH MARSTON, MINING EDITOR

PRICES FOR rought diamonds charged by De Beers' Central Selling Organisation, which handles about 85 per cent of world output, are to rise by an average of 13 per cent on September 24.

The price increase will apply only to larger, uncut gemstones of over one carat, and will vary according to quality. Among the better gemstones, the impact of the price rise could be substantial. Industrial diamonds are not affected.

Rough diamond prices rose sharply last year. The most recent increase was in August last year when gemstone prices were raised by an average of 30 per cent.

De Beers latest move reflects a market where demand for the larger stones remains good, while that for the smaller diamonds is moving slowly. Overall conditions are less buoyant than in the 1978 boom, when demand was heightened by currency fears, notably over the U.S. dollar.

The weakness of the dollar, in which diamonds are priced, has contributed to the decision. De Beers, a South African company, has been at an exchange disadvantage during the appreciation of the rand against the dollar.

The eventual polished stones affected by the September increase are bought mainly by dealers and the more expensive jewellers and designers. High Street prices for diamonds, which are mostly derived from the smaller stones of under a carat in size, are unlikely to be affected.

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EUROPEAN NEWS

COPENHAGEN ROW LIKELY OVER WAGE INDEXATION

Danes run out of answers to the payments deficit

BY HILARY BARNES IN COPENHAGEN

THE OIL price increases hit Denmark in its most sensitive spot—the current account balance of payments. Denmark *has had a deficit every year* except one since 1960, and this year the shortfall will be the largest in the EEC—not only in proportion to the country's size, but also in absolute terms.

From 1960 to 1973 the deficit averaged about 2 per cent of the gross domestic product (GDP). Since then successive governments, all of them minority ones, have made great efforts to generate enough political backing to carry measures to reduce the deficit. But it has gone on rising inexorably, averaging about 3 per cent of GDP.

The net foreign debt, now about DKr 65bn (£5.5bn), is about 20 per cent of GDP. Net *interest payments, running* at almost DKr 6bn (£511m) this year, are a major item in the current account deficit.

When the present Social Democratic-Liberal coalition was formed a year ago this month, it was hoped that it would be politically strong enough to bring down the deficit. Its target was a deficit of DKr 6.5bn this year compared with DKr 8bn last year, with further reductions in subsequent years.

But even before the July oil price increases by the Organisation of Petroleum Exporting Countries, it was clear that, following the spring collective wage agreements, the deficit would amount to about *DKr 10bn. The Government* now believes that the deficit in 1979 will be DKr 12bn and about the same in 1980.

"We can't go on living with deficits of this size," Mr. Knud Heinesen the Finance Minister said recently. Mr. Heinesen has publicly warned that unchecked growth in the external debt will cause the country's foreign creditors to toughen up their terms and will increasingly limit economic policy options.

In June, just before the latest OPEC increases, the Government put through a Kr 4bn programme to restrain consumer spending, mainly by increasing energy prices by over 20 per cent. It also ensured that runaway growth of local *government spending, rising* by 7-8 per cent this year in real terms, will be cut to 3 per cent in 1980 and 2 per cent in 1981. Central government spending is to be cut as well. This will now rise by only about 0.5 per cent in real terms in 1980.

Three things are apparent. First, the June measures are not *enough if the object is* to stabilise, let alone improve, the current balance. Second, the foreign debt is reaching the point at which there is a risk that foreign creditors will be reluctant to lend further. Thirdly, the result of yet more demand restraint will be to push the economy into permanent near-zero growth.

Over the years a variety of policies has been tried. Incomes policy has never succeeded in restoring competitiveness. Fiscal policy has constrained domestic demand but without switching resources to exports. Exchange rate policy, by linking the Krone to the German mark in the European currency "snake" and subsequently the European Monetary System (EMS), has helped limit inflation (consumer prices in the 12 months to June rose by 8.6 per cent), but made industry even less competitive abroad.

> There appears to be a growing feeling among senior politicians that there is only one untried shot in the locker and the time may be coming when it should be used: namely a substantial strategic devaluation of the Danish krone. But it is recognised that devaluation would be useless without a change in the system of automatically adjusting wages and social security payments to the cost of *living index.*

Monetary policy is severe enough to have driven mortgage interest rates to 17½ per cent. But still the deficit persists.

There appears to be a growing feeling in senior political circles that there is only one untried shot in the locker and that the time may be coming when it should be used—a *substantial*, strategic devaluation of the krone.

But, and it is an absolutely crucial but, there is an equally clear recognition that a devaluation would be useless unless the system of automatic index-linked wage, salary and social security incomes is amended or suspended.

Prime Minister Anker Joergensen and Mr. Heinesen repeatedly deny that the Government is considering a devaluation. But when the Folketing (Parliament) meets again in October and measures to curb the external deficit are discussed, the indexation issue will be at the forefront of the political battle.

Indexation wage and salary increases are a flat rate of Kr 0.60 per hour, about 1.3 per cent of the average hourly wage. They are awarded for each three-point rise in a quarterly net consumer price index (that is, excluding indirect taxes and subsidies). Social security and pensions incomes are also adjusted.

It is virtually certain that there will be index increases in September of Kr 1.20 and next March of Kr 1.80, or about 2½ per cent next month and 3½ per cent in March. Furthermore, under the terms of the new collective agreement, holiday money in September also goes up from 10 to 12½ per cent of wages—taking the overall jump in wage costs next month to about 5 per cent.

The indexation system may yield benefits in terms of stable labour relations. But when it means that the Danes award themselves extra wages to pay for rising import prices it is a system guaranteed to generate inflation and perpetuate the *deficit on the current balance* of payments.

The Liberals would like to exclude import prices from the index. Social Democratic leaders have no illusions about the fallacies in the system, but as indexation is a trade union holy cow, the party cannot touch it.

The autumn political manoeuvres will therefore be devoted to finding a way of bribing the unions to give way to common sense on indexation, and the Social Democrats think they have got a juicy carrot.

This concerns the indexation payments to the National Pension Fund made by the State under the terms of the 1977-79 collective wage agreements. The Social Democrats have suggested, as a quid pro quo for agreement to amend indexation, that these payments, amounting to some Kr 10bn, should be hived off as a special investment fund to be administered by the trade unions.

But the Liberals are adamantly opposed to the scheme. They fear that it will be the starting shot for a much more ambitious scheme to give wage earners co-ownership rights by transferring a portion of corporate profits, in the form of wage-earner share capital, to a central, trade union controlled investment fund.

At the moment it looks as if the coalition partners will collide head-on over the issue. Together with the other main contentious issue this autumn—how the cuts in central government spending agreed in principle in June should be opportioned — the differences may be so great that the coalition founders.

Political break-down or not, if the indexation question cannot be solved, it seems certain that the Government will have no alternative but to resort to new restraints on domestic demand. On current policy, domestic demand in 1980 may expand by a princely 1½ per cent rounding off a series of years since 1977 in which real domestic demand has risen by 0.4 per cent, 1.3 per cent and 1.5 per cent.

It is easy to understand why Mr. Heinesen would rather see something done to restore export competitiveness than have to clobber domestic demand yet again.

Prime Minister **Anker Joergensen . . . denies a devaluation is under consideration.**

Austria proposes savings changes

By Paul Lendvai in Vienna

DR. HANNES ANDROSCH, the Austrian Finance Minister, has announced plans to *make radical changes in the* country's subsidised savings system. But the proposals have come in for sharp criticism from some of the country's banks — especially the institutes most affected by the projected curbs. They fear that the changes could lead to a deterioration in the general investment climate.

Faced with steadily rising budget deficits, the Government would like to dismantle the elaborate mechanism under which it grants subsidies of some Sch 5.5bn (£183m) annually to boost interest rates on savings deposits. These subsidies make no economic sense at a time when Austria has one of the lowest inflation rates in the world. With an annual rate of price increases of under 4 per cent, the Government points out that federal bonds currently provide a highly favourable net yield of 4 per cent in real terms.

The Government is likely to eliminate in their present form the subsidies for building society deposits, which currently yield 10.6 per cent, even though they are tied only for a period of six years.

The five per cent tax rebate on federal bonds up to Sch 100,000 per head and per annum, which costs the State Sch 500m annually, will be completely scrapped. Some commentators caution however that this could unsettle the bond market.

Amnesty plea on detainees

GENEVA — Amnesty International yesterday urged the United Nations to intervene in Latin America and Africa to save "countless individuals from the inhumanity of their governments."

Addressing the UN Human Rights Subcommission in Geneva, an Amnesty spokesman called for the setting up of an "international habeas corpus" by which he said the location and grounds of detention of a person who had disappeared could be established.

AP

Comecon thought unlikely to meet N-power goals

BY LESLIE COLITT IN BERLIN

DOUBTS ARE being raised whether the Soviet Union and its Comecon partners will be able to expand their nuclear generating capacity as dramatically as planned, from 13,000 MW at present to 140,000 MW by 1990.

In an analysis of Comecon's nuclear power programme, the West Berlin Economic Research Institute says that 4 per cent of the electricity now generated by the Comecon countries comes from nuclear power stations compared with 8 per cent in the European Community.

The Institute notes that the smaller European Comecon countries and Cuba have agreed to expand their nuclear generating capacity tenfold to 37,000 MW by 1990.

However, in 1976 at the start of the current five-year plan, Comecon *had already set* a target of 24,440 MW of installed nuclear power capacity by 1980. The latest statistics reveal that installed nuclear power stations had a capacity of 12,840 MW in the middle of this year.

Under the original five-year plan, the Soviet Union was to *have a nuclear capacity* of 18,500 MW by next year. The actual amount is only 9,980 MW according to official figures.

The other six European Comecon countries and Cuba—only East Germany, Czechoslovakia and Bulgaria have operating nuclear power stations—were to have had 5,940 MW by next year. This year, their capacity was only 2,860 MW of nuclear power.

The Institute's Comecon section notes that the Soviet Union plans to expand its nuclear generating capacity from 10,000 MW to 100,000-110,000 MW by 1990.

This would represent more than 20 per cent of total electricity produced in the country. The Institute explains, though, that "expansion until now has been characterised by consistent non-fulfilment of plans."

The nuclear expansion programme presented by the Soviet Union in 1971 set a target of 30,000 MW installed nuclear capacity within 10 years. This was reduced to 18,500 MW in the current five-year plan and, in fact, only 10,000 MW have been installed to date.

Analysts point out that there have also been marked delays in the nuclear power programmes of the other Comecon countries, especially Romania, Hungary and Poland. The delays are mainly attributed to insufficient engineering capacity and the fact that the Soviet Union is still the sole deliverer of nuclear power stations within Comecon.

The Institute says there have been unsolved problems in Comecon with control technology and the Soviet Union's policy on reactor safety "has not been based on developing measures for every possible mishap."

Third World fears slow down nuclear test ban negotiations

BY BRIJ KHINDARIA IN GENEVA

FEARS THAT several of the more advanced Third World countries may be trying to obtain nuclear weapons technology have slowed nuclear test ban negotiations in the Geneva-based Disarmament Committee.

The nuclear powers and Western countries in general view with apprehension the controversy about the nuclear weapons capability of India and Pakistan, seeing in it the seeds of unbridled proliferation.

Third World countries, at the same time, have increased demands for guarantees that nuclear warheads will never be used against them. The nuclear powers, however, have given ambiguous replies, and such advanced developing countries as India and some Latin American nations are arguing that such guarantees are impossible.

Even if some kind of formal document containing such pledges were agreed, the argument goes, it would be worthless because a non-nuclear power has no means of dissuading a nuclear power or its ally from using nuclear weapons against it.

The nuclear powers have agreed to discuss such formal guarantees next year but it is doubtful whether even an international convention would go far towards assuaging the fears of non-nuclear countries.

As a result, pressure has grown within the committee for a complete ban on nuclear tests. Results, however, have been disappointing in this year's negotiations because of conflicting interests and the ambivalence of some countries.

Negotiations for a comprehensive test ban have been underway between the Soviet Union, the U.S. and Britain for several years. All three have so far resisted pressure from the committee's other members to throw open the negotiations to the committee as a whole.

The result has been to encourage some developing countries who have not signed the nuclear non-proliferation treaty to insist that they remain free to obtain nuclear weapons technology as long as every country does not renounce nuclear weapons. These countries see the test ban as a step towards the goals of destruction of existing nuclear weapons and prohibition of new production.

Meanwhile, the growing realisation that a few Third World countries might be on the threshold of nuclear capability has cooled some nations' enthusiasm for a complete test ban. They fear that they may be left at a disadvantage in developing weapons to counter the nuclear capability of their rivals.

This is the aspect that causes most apprehension among Western countries, who argue that a nuclear arms race among even a [illegible] Third World nations would threaten world peace.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing centres.

£470m BOOST FOR FRENCH ECONOMY

Cabinet approves Barre proposals

BY ROBERT MAUTHNER IN PARIS

THE ECONOMIC and social package under which the Government will pump FFr 4.5bn (£470m) into the economy, is expected to give a modest stimulus to France's declining growth rate next year. The package was adopted by the Cabinet yesterday.

M. Raymond Barre, the Prime Minister, who presented the measures to the Cabinet, stressed that economic prospects had been undermined by the 58 per cent rise in prices from imported oil during the first half of this year.

One of the most serious effects of the Organisation of the Petroleum Exporting Countries (OPEC) decisions was to have lopped 1.5 to 2 per cent off the original forecast that France's gross national product (GNP) would increase by 3.5 to 4 per cent in 1980. As a result of yesterday's package, however, economic growth next year could be expected to rise by an extra half per cent, to 2.5 per cent.

M. Barre made it clear, on the other hand, that the latest measures, aimed at stimulating the stagnating housing and public works sectors, and compensating low-income families for the recent prices rises, did not herald a fundamental change in his austerity policies.

During the coming months, the Government's absolute priority would still be to maintain the franc's stability within the European Monetary System (EMS), continue monetary and credit controls, limit wage rises, and intensify energy-saving efforts.

Under yesterday's package, the Government is making available some FFr 2.5bn in credits for building low-cost homes, which will permit some 20,000 more housing starts in coming months, and for constructing roads and improving waterways. The over-all effect of this will be to increase turnover in the building and public works sectors by an estimated FFr 7bn in 1979 and 1980, and to create 30,000 more jobs.

M. Barrs emphasised that the measures would not require new funds to be raised, since they would be financed entirely by surplus Treasury receipts and the cancellation of other planned expenditure.

The social measures include one-off increases in the special social security payments to low-income families at the beginning of the school year, and exceptional pension bonuses.

The Government has also promised to raise the purchasing power of people who earn the national minimum wage at the end of the year, in addition to the automatic increase of 2.2 per cent which will come into effect on September 1, in line with the rise in the cost-of-living index.

M. Barre is accused of having failed to meet his three-year deadline for restoring France's economic health. High inflation and rising unemployment are the main causes of the discontent. The Prime Minister replied to some of these criticisms yesterday, when he emphasised that, not only was the current payments balance still in surplus, despite the successive oil price rises, but industrial production was at a relatively high level, and real disposable incomes had risen by nearly 2 per cent over the past 12 months.

Security chief flies to Sardinia

BY PAUL BETTS IN ROME

THE HEAD of Italian security and anti-terrorist forces, General Carlo Alberto Dalla Chiesa, has flown to the island of Sardinia in the wake of the larming increase in kidnapping there during the past two weeks.

Upt to ten people, including Mr. Rolf Schild, a British busimann, and his wife and 14-year-old daughter, are now thought to be held by kidnappers on the island. The latest vitims were two well-known Italian singers, Fabrizio de Andre and Dori Ghezzi, who have disappeared from their farmhouse on the island.

This latest rash of kidnappings has caused a major controversy over general security on the island, which has become a major tourist centre in the past decade and has a number of luxury resorts. There are fears that the lucrative tourist industry on the island, which is one of the poorest regions of Italy, could be severely hit by the sudden upsurge in criminal activity.

The kidnappings of the past few days suggest the existence of well-organised networks specialising in this type of crime. In some cases, kidnappesr have seized their victims in broad daylight, and in one instance two children were abducted in front of their parents.

Moreover, ransom demands have steadily increased and are now reported to average between L2bn and L5bn. However, there appear to have been no ransom demands so far for the 10 missing people.

During the past 48 hours, police in Sardina have been augmented by units from the mainland to scour isolated areas.

But the only clues so far to the latest crisis have come with the discovery of the cars of the British family and of the two Italian singers.

General Carlo Alberto Dalla Chiesa

French face on-spot fines

PARIS—Motorists in France, where the death toll on the roads is the highest in western Europe, face stiffer penalties for speeding under a road safety Bill to go before Parliament later this year.

M. Alain Peyrefitte, Justice Minister, told today's Cabinet meeting that, under the new Bill, traffic police would be authorised to collect a fine from any motorist found speedign.

Failure to pay on the spot would bring automatic doubling of the amount. Reuter

Intercontinental to close Istanbul hotel

BY DAVID LASCELLES IN NEW YORK

THE LARGE U.S. hotel operator, Intercontinental Hotels, announced yesterday that it would terminate its lease on an hotel in Istanbul in October, blaming "serious restrictions" imposed on its operations there.

Mr. Paul Sheeline, the chairman, described the step as unfortunate, but said circumstances had made it "impossible to continue operation of the hotel."

The company would not elaborate on the circumstances that had prompted its decision. However, the hotel has been strike-bound since June and is now closed. Reports from Turkey also suggest that Intercontinental has been subjected to unacceptable pressures from the lessors.

Our foreign staff adds: The Turkish central bank this week signed in London and Zurich an agreement with over 250 banks covering the restructuring of some $2.2bn in short-term liabilities.

Under the agreement, the central bank is purchasing outstanding convertible Turkish lira deposits which were previously debts of commercial Turkish banks, and exchanging them for new central bank obligations denominated in Deutsche Marks, Swiss francs and dollars.

W. German £73m aid plan for S-E Asia

By Jonathan Carr in Bonn

THE WEST GERMAN Government has approved a programme to aid refugees—in particular from South-East Asia — which could involve expenditure of up to DM 300m (£73m) by the end of next year.

Details were announced yesterday by Herr Gerhart Baum, the Interior Minister, who has just returned from a visit to South-East Asia.

He described the plight of refugees there both as a "human tragedy of the first order and as one of the world's most complex political problems."

The West German measures are designed to help refugees on the spot, to transport them to West Germany and to integrate them as quickly and with as little red tape as possible.

A total of DM 52m (£12.7m) has already been made available this year from federal funds for food and medical aid, participation in the UN Indo-China refugee programme, and help in chartering a West German Red Cross vessel.

Such steps will be continued next year, along with intensified domestic measures to help the refugees once they arrive, including language courses, professional training and social aid.

The Leander — the provincial states — have already agreed to take up to 13,000 refugees. The Federal Government now expects that, with the extra finance promised, this number will rise.

Initially, West Germany did not appear to act as quickly on the South-East Asian problem as some other Western countries, such as France and the United States. But in the last month or two efforts have been increased markedly, not simply at Government level but through private appeals in the Press and elswhere.

Cost of living rises 4.9% in August

The West German cost of living index was unchanged this month from July, giving a 4.9 per cent rise over August last year, according to provisional Federal Statistics Office figures, Reuter reports from Wiesbaden.

Portugal to resume talks for $50m IMF credit

BY JIMMY BURNS IN LISBON

THE PORTUGUESE Government is understood to have fixed a date for the resumption of negotiations with the International Monetary Fund (IMF) for a new $50m standby credit.

An IMF team, led by M. Patrick Fontenay, will arrive in Lisbon on September 10 for two weeks of talks. A formal letter of intent for the loan could be signed in October.

But Portuguese officials stress that both sides may opt for a postponement of the letter's signature until next year for political reasons.

The letter, if signed, would cover the period between January, 1980, and January, 1981. The present caretaker Government doubts whether it is entitled to impose strict guidelines for a new stabilisation programme, especially as by the beginning of next year Portugal will almost certainly be under a new government.

The country's previous standby agreement ran out in March, and since then efforts to negotiate a new one have been held up by a succession of Government crises.

Meanwhile, Professor Antonio Sousa Franco, the Finance Minister, said yesterday that he had raised the official budget deficit forecast for the year by Es 20bn (£180m). The deficit now stands at Es 121bn (about 12 per cent of GNP). This is Es 10bn below the Bank of Portugal's estimate and may turn out to be on the optimistic side.

Professor Antonio Sousa Franco . . . forecasting larger budget deficit.

Prof. Sousa Franco said he did not foresee substantial growth in current receipts in 1979 and had therefore asked parliamentary permission to raise the Government's domestic borrowing requirements.

Previous budgetry projections made by the non-party government of Dr. Carlos Mota Pinto were off target, he said. Increases in spending allocations were now needed in areas like education, health and subsidies to public enterprises.

He admitted that the budget deficit "was the weakest point of the Portuguese financial situation."

The minister was hopeful, however, that the IMF would take into account the improvement in Portugal's balance of payments deficit. He confirmed that the Government would soon raise certain administered prices in order to aid the financial situation of public enterprises.

Caution needed in expansion of economy, OECD report warns

BY DAVID WHITE IN PARIS

PORTUGAL SHOULD be able to make some moves towards a more expansionary economic policy following its success in improving its balance of payments last year, the Organisation for Economic Co-operation and Development (OECD) says in its annual report on the country.

But it warns that policy changes will have to be "extremely cautious" because of high inflation and the risk that the payments situation will suffer in this year's much less favourable international environment.

The Report, completed at the time of the Mota Pinto Government's resignation in June and preceding the latest oil price increases, offers little hope of immediate improvement in Portugal's economic outlook.

It forecasts a continued slowdown in activity, more unemployment, a current external deficit at least as large as the $776m in 1978 and an inflation rate exceeding that year's 22.6 per cent.

Household consumption is expected to increase very little, while capital formation will be affected by Portugal's restrictive monetary policy. Gross domestic product might grow by about 2 per cent.

The budget deficit, which the Pintasilgo Government has revised upwards by almost a quarter to about $2.6bn for this year, is a major source of concern for OECD.

Sharp increases in public spending have been largely taken up by subsidies and transfers which have done little to boost productive potential, it says.

OECD backs the stated intention of the Portuguese authorities to reduce the rate of escudo devaluation, a big factor in the high rate of price increases. But at the same time the Government will have to keep a grip on domestic inflation. This, the report says, means continued limits on wage increases, at least for a time.

In the face of flagging demand, the Organisation urges development of the housing sector. This would answer a clear social need and absorb a considerable amount of labour, without adding to the country's foreign burden, it says.

In the medium term, Portugal needs to stem inflationary pressures, increase productivity and improve the efficiency of management in many sectors if it is to achieve high growth rates for output and employment.

The quality of public administration also requires substantial improvement to prepare and carry out a medium-term economic programme, OECD says.

OVERSEAS NEWS

AMERICAN NEWS

Hanoi says Pol Pot forces 'eliminated'

Forces loyal to Pol Pot, the ousted Premier of Kampuchea, have been eliminated, according to a Vietnamese official speaking in Peking, and his regime therefore has no right to be represented at next month's non-aligned summit in Havana, Reuter reports from Peking.

Vietnam's chief delegate at the protracted peace talks with China, Dinh Nho Liem, told a news conference that only the Vietnamese - backed Heng Samrin Government "has the right to represent Kampuchea at the non-aligned summit and other international forums."

He said Heng Samrin's forces had already "put out of action and eliminated the last remnants of the Pol Pot-Ieng Sary forces." But Mr. Han Nianlong, China's Vice Foreign Minister, said Peking would continue supporting the Pol Pot guerillas in Kampuchea until Vietnam withdrew its troops.

Ugandan railway plan

Mr. Akena P'Ojok, Uganda's Power and Communications Minister, wants Tanzania to build another internal railway as a route for Ugandan trade, Reuter reports from Nairobi. Radio Uganda, monitored in Nairobi, said the Minister told a meeting of international aid donors in Kampala that Uganda wanted a railway from the Tanzanian port of Tanga to Musoma, on Lake Victoria. This would be linked with Ugandan lake ports by train ferries. Mr. P'Ojok did not propose to abandon Uganda's present direct rail link to the Kenyan port of Mombasa, but parts of the track were run down and a supplementary route was needed.

Malaysia criticised

The Malaysian Government has been sharply criticised for abusing its Internal Security Act to harass political opponents and trade union leaders, David Housego writes. Amnesty International, in a report published yesterday, calls for the repeal of the Act, which allows detention without trial for up to two years, and under which, it says, more than 1,000 people are being held.

S. Africa by-election

Whites voted yesterday in two parliamentary by-elections which will test the strength of the ruling National Party on both the right and left wings, Reuter reports from Johannesburg. The party is expected to retain both seats, at Johannesburg West and at Koedoespoort, Pretoria, but the Opposition Progressive Federal Party is hoping to erode the 5,748-vote majority at Johannesburg West.

Mondale flies to Xian

Mr. Walter Mondale, the U.S. Vice-President, flew to the ancient capital of Xian (Sian) yesterday after two days of intensive talks in Peking in which the U.S. reassured China of its commitment and offered \$2bn in credits to prove it, AP reports from Peking.

Ohira likely to call October poll

BY OUR TOKYO CORRESPONDENT

MR. MASAYOSHI OHIRA, Japan's Prime Minister, will convene an extraordinary session of the Diet (Parliament) today to clear the way *for a general election for the* House of Representatives (lower house). Mr. Ohira hopes to strengthen the ruling Liberal Democratic Party and perhaps his own position as party leader in the poll.

Once the Diet is in session, Mr. Ohira will attempt to come to terms with the Opposition parties on dissolving the Diet, an action the Prime Minister has hinted should take place around September 7 or 8, and calling the election, which will most likely be held on October 7.

The Liberal Democrats have 248 of the 511 seats now occupied in the lower house. The Japan Socialist Party has 116, the Komeito, or Clean Government Party, 56, the Democratic Socialists 28, *Japan Communist Party 19*, and the newest of the opposition parties, the New Liberal Club, 13.

Mr. Ohira would like to win a convincing majority while his Government remains relatively popular, and before serious economic problems begin to appear in the aftermath of the latest oil price increases. The peak demand winter months might lead to some fuel shortages.

Mr. Ohira also faces next year some thorny tax issues as the Government tries to reduce its dependence on national bonds to finance its budget.

There are reports that the moderate opposition parties will attempt to join forces in certain districts to preempt Liberal Democrat victories.

Buoyant private sector boosts Japanese economy

BY RICHARD C. HANSON IN TOKYO

THE JAPANESE economy continues to expand on the strength of buoyant domestic demand. This accounted for nearly all the 1.5 per cent increase in real gross national product (GNP) during the April-June quarter.

The Economic Planning Agency remains hopeful that this growth will continue in the autumn, despite tighter credit policies, rising inflation, and increased oil prices.

The Agency's preliminary report, released yesterday, said domestic demand was 1.3 per cent up for the quarter, with external trade contributing only 0.2 per cent. This was an about-face from a year ago, when the country was ending a period of export-led growth and huge trade surpluses.

April-June growth of 1.5 per cent is slightly below the 1.7 per cent of the two previous quarters covering October to March, but still translates into an annual growth rate of 6.1 per cent, just below the Government target of 6.3 per cent for this fiscal year.

A quarterly growth rate of slightly less than 1.6 per cent will have to be achieved in following quarters to reach that target. Most private estimates put growth this year at 5 per cent to 6 per cent.

Exports gained in value by 3.7 per cent as the yen's decline stimulated shipments after a 3.3 per cent rise in the previous quarter.

Half the inflation-adjusted *GNP (running at an annual rate* of Y117,048bn, or about £236bn) is made up of private consumer spending, which in April-June rose 1.6 per cent.

Reuter adds from Tokyo: Mr. Masumi Esaki, Japan's Trade Minister, called on the Government to spend Y6,000bn over the next decade to cut Japan's reliance on oil.

Mr. Esaki told a meeting organised by Japan's Private Economic Policy and Research Institute that the Government should cut its dependence on oil to 43 per cent of its total energy needs by 1995 from the present 75 per cent.

Mr. Esaki said the most effective way to achieve the target was to develop such energy sources as nuclear power, coal, solar energy and geothermal heat.

Australia stalls on tariff cuts

BY JAMES FORTH IN SYDNEY

THE AUSTRALIAN Government has paid lip service to the need to reduce the high tariff wall surrounding domestic manufacturing industry.

It has endorsed the broad strategy, but not the details, of the recommendations of the Crawford Report on the restructuring of manufacturing industry. Instead of taking action the Government has asked the Industries Assistance Commission for a blueprint to reduce long term protection.

The Crawford Report, commissioned in September 1977, recommended restructuring by encouraging export oriented industries and gradual reduction of tariff protection. It suggested an export incentive grants scheme and exemption for some industries from a general reduction in tariff levels. The earn which made the report was headed by Sir John Crawford, an economist and former senior civil servant.

The reference to the Industries Assistance Commission will not be immediate. Instead the Government will wait until the commission has finished its general tariff reviews into the highly protected clothing, footwear, textile, motor vehicle and metal industries, each big employers of labour.

The Government has been careful not to commit itself to *implementing any of the Commission's ultimate recommendations.* Moreover, the reference will only be sent after the end of 1981 and the Commission will have 18 months to complete its report.

Heath plea for Third World poor

BY OUR FOREIGN STAFF

MR EDWARD HEATH, Britain's former Conservative Prime Minister, yesterday called on western powers to commit "enormous resources and expenditure" to solve the increasingly urgent problems of poverty and over-population in *the world's poor countries.*

Speaking at the International Conference of Parliamentarians on Population and Development, in Colombo, Sri Lanka, which is sponsored by the United Nations, Mr. Heath said economic programmes in developing countries had been "woefully, lamentably inadequate."

The work of the United Nations Fund for Population Activities should be strengthened, he said, so that there could be a more coordinated policy on economic development and population.

"This will call for a level of international co-operation not achieved hitherto," he said. "It will require enormous resources and expenditure. At present, we have nothing like the economic programmes that are required."

Mr. Heath is one of the "wise men" assembled by Herr Willy Brandt, the former West German Chancellor, to review third world development problems and recommend solutions. He said the Brandt Commission would soon submit proposals, which he hoped governments in the west would accept.

Gen. Pinochet

Chile seeks improved relations with UK

By Hugh O'Shaughnessy

SR. HERNAN CUBILLOS, the Chilean Foreign Minister, is to visit London next week for talks with Lord Carrington, the Foreign and Commonwealth Secretary, as Britain faces a number of delicate diplomatic decisions about *relations with Latin America.*

Sr. Cubillos, whose visit here is said to be private, is also making official visits to Spain, France and West Germany in a search by the military junta of General Augusto Pinochet for greater acceptance in Western Europe.

Sr. Cubillos will be pressing for the urgent re-establishment of relations between Britain and Chile at full ambassadorial level.

Britain withdrew its ambassador in Santiago in December, 1975, as a protest against Chile's torture of Dr. Sheila Cassidy, the British surgeon accused of helping opponents of the Chilean military junta. Dr. Cassidy was subsequently cleared by Chilean tribunals of any major offence.

It is understood that the Thatcher Government *has* decided in principle to restore a British ambassador in Santiago, but a decision still has to be made about the timing. A further complication *is the case of Mr. William* Beausire, a British businessman who was apparently kidnapped by Argentine police in November 1974 at Buenos Aaires airport and is subsequently believed to have died in captivity in Chile after having been handed over by Argentina.

Earlier this year the Export Credits Guarantee Department restored Chile to full cover after a period during which the agency had limited business to short term deals for economic reasons. Exports to Chile in the first seven months of this year totalled £20m, while imports, mainly of copper, came to £83m.

The announcement of the restoration of ambassadorial relations with Santiago is expected to raise an outcry from the Opposition.

Meanwhile the impasse continues over the restoration of ambassadorial relations with Argentina, broken in 1976 when the Argentine govern*ment objected to remarks by* Mr. James Callaghan, then Prime Minister, about British soverignty over the Falkland Islands.

Britain has agreed to the appointment of Sr. Ortiz de Rozas as Argentine ambassador in London, but Argentina is seeking the nomination of a more senior man than that suggested for the Buenos Aires post.

Amnesty in Brazil

PRESIDENT Joao Figueiredo of Brazil yesterday sanctioned legislation granting political amnesty to an estimated 5,000 people, Reuter reports from Rio de Janeiro. The 5,000, mostly now living abroad, were purged by the military Government after a coup in 1964, which ousted Left-leaning President Joao Goulart.

The passing of the new law is considered the most important step towards the long-promised return to democracy since Press censorship was abolished last year. Those convicted of acts of terrorism will not benefit from the Bill. According to a list released by the Supreme Military Tribunal, there are about 300 people in this category.

Before the Bill was passed by Congress thousands of people demonstrated in favour of "an ample, general and unrestricted" amnesty. Sr. Jarbas Passarinho, the Senate majority leader, said he had been authorised by the President to say that the amnesty Bill was only a first step and others would follow.

Steel price up

U.S. Steel, the country's largest steelmaker, is to raise the price of about a quarter of its products by 4 to 5 per cent from October 1. Averaged out across its whole product range, the increase amounts to about 1.3 per cent, David Lascelles reports from New York. The changes affect mainly high-strength alloy plate, carbon steel plate and structural steel.

North-eastern states to get extra heating oil supplies

BY DAVID LASCELLES IN NEW YORK

THE CARTER Administration is moving to improve fuel supplies in the politically sensitive north-east this winter. Mr. Charles Duncan, the new Energy Secretary, met the governors of nine north-eastern states in Boston on Tuesday and told them that he would establish a 10m barrel reserve of home heating oil for the region, to ensure that there would be no shortages.

He also pledged to review the Energy Department's home heating oil policy which, critics say, encourages oil companies to keep this fuel in stock rather than distribute it.

A recent survey by oil jobbers showed that while heating oil inventories are adequate, a larger quantity than usual is still at the refineries, and less than usual in home storage tanks.

Mr. Duncan's meeting and his pledges appear to reflect the Administration's concern about the role that energy is bound to play in the forthcoming 1980 primaries. The New Hampshire primary, the first, is due early next year, while the snow is still on the ground. Any shortages in heating oil could prove highly embarrassing.

Generally, though, fuel supplies appear to be taking a sharp turn for the better. There is now sufficient petrol to meet the demands of a more fuel-conscious motoring public.

Mobil, the country's second largest oil company, has announced that it will bring its fuel allocations back to 100 per cent in September, expecting to deliver the same amount of petrol over a given period as it did in the same period last year.

Over the past six months, deliveries have dropped as low as 70 per cent, triggering the scarcity which swept the country in June and July. Other oil companies have yet to announce their delivery allocations for September.

Improved petrol supplies have led to demands in New York state and elsewhere in the north-east that the odd-even rationing system be dropped. However, state officials are still reluctant to take any action which might lead the public to believe the energy crisis is over. Concern about heavy driving on the forthcoming Labour Day holiday weekend is also strong.

Jordan denies new drug charge

BY DAVID BUCHAN IN WASHINGTON

THE White House is engaged in a running battle of words denying fresh allegations that Mr. Hamilton Jordan, the White House Chief of Staff, took the drug cocaine on a visit to Studio 54, the New York City discodancing night spot, last year.

Mr. Jordan has stoutly denied the charge which, under the provisions of the Ethics in Government Act covering allegations concerning high federal officials, is now under a full investigation by the Justice Department and the FBI.

The charge was brought by Mr. Steve Rubell and Mr. Ian Schrager, owners of Studio 54, who claim to have seen Mr. Jordan inhale cocaine on their premises. Both these men are also being investigated for federal tax evasion, and the White House has claimed that the Studio 54 owners and their high-powered lawyers are indulging in a most underhand form of plea-bargaining.

This week, a third man, Mr. Barry Landau, has filed an affidavit with the Justice Department alleging that Mr. Jordan tried to buy cocaine from him at Studio 54—which Mr. Jody Powell, the White House Press Secretary, has since denounced as "a concoction."

In particular, Mr. Powell complained that Mr. Jordan's accusers "have concocted another story to take into account the accurate information that we have provided." The White House has said that Mr. Jordan did visit the New York night club in June 1978, but denied he was there in April that year with Mr. Powell—a claim made in the original Rubell-Schrager allegations, but which has since disappeared in the Landau affidavit.

Given the dubious source of some of the accusations against the White House Chief of Staff, the affair has not yet attracted strong national attention, with Press reports still largely buried inside newspapers.

However, it could become a major embarrassment to President Carter. More immediately, the Ethics in Government Act, passed in the wake of Watergate, has come under some criticism for its use in this way.

The Act further provides that, unless the Attorney-General can rule out within 90 days an allegation against a high federal official as frivolous and without any substance, he must appoint a special prosecutor to look into the charge. As certain newspaper editorials have pointed out, the Act is thus open to malicious exploitation for political purposes.

Industry budgets rise sharply over year

BY OUR NEW YORK STAFF

U.S. INDUSTRIAL companies budgeted about 5 per cent less for capital spending in the second quarter of this year compared with the first quarter, but the amounts put aside were sharply up on the same period last year, according to the latest report of the New York Conference Board, the business research organisation.

Based on a sampling of the country's 1,000 largest manufacturers, seasonally adjusted budgets for new plant and equipment were \$21.4bn, compared with the record \$22.6bn of the first quarter, and \$15.1bn in the second quarter last year, an exceptionally low quarter.

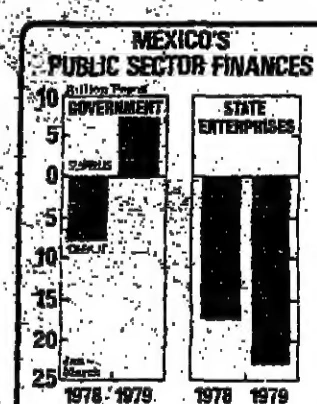
Most of the 17 industries covered by the survey budgeted more this year than last. But seven, including the oil industry, lowered the amounts from the first quarter.

The Conference Board commented that the second quarter decline could prove to be the beginning of more significant weakness, but manufacturing investment is showing a sustained momentum in 1979.

Mexico tries to keep up growth but control prices

Learning to live with petrodollar inflation

BY WILLIAM CHISLETT IN MEXICO CITY



MEXICO'S unwieldy bureaucracy is burning the midnight oil—not something for which *it is normally famed—in* preparation for President Jose Lopez Portillo's annual "state of the nation" speech this Saturday.

A lot of key questions about the future course of this developing, oil-rich economy need to be answered by the president, but there are few indications that there will be.

The speech will mark the half-way stage of his six-year term of office. Since Mexican presidents cannot stand for re-election, a few hints might be dropped about his possible successor.

Sr. Lopez Portillo is likely to review the past three years in optimistic tones, claiming, with some justification, that since the dark days when he came to office at the end of 1976, after an 80 per cent *devaluation of the peso,* times are now less cloudy; indeed they are illuminated by the prospect of large amounts of petrodollars soon to flow into the State's coffers.

When he took office in 1976, Mexico, after almost three decades of price and balance of payments stability, had an inflation rate of 27 per cent. The current account deficit in *the balance of payments had* increased to \$3bn—4.3 per cent of gross domestic product—the public sector deficit was equal to 7.4 per cent of GDP and GDP itself only rose by 2.1 per *cent in 1975.*

The flight of capital, before and after the devaluation (the first in Mexico for 22 years) was estimated at \$4.5bn Public foreign debt grew five-fold *from 1970-76 to \$20bn* and was used *to finance* massive public expenditure, which falling revenue could not meet.

Apart from electric power, mining and petroleum, all sectors of the economy in 1976 registered lower growth rates than in 1975, and those of agriculture and fisheries declined.

The Government's stricter control of public expenditure, following guidelines set out in the three-year stabilisation programme agreed with the IMF which ends this year, have borne some fruit.

Inflation last year was down to 18 per cent, the current account balance of payments deficit declined to \$2.5bn or 2.7 per cent of GDP and the GDP grew by 6.6 per cent in 1977. *This year inflation will* be about the same as last year and the GDP increase will be about 7 per cent.

The peso has been stable for the last two years, foreign and *national confidence* has returned, along with some of the exported capital, and gloomy forecasts about the country's *long term* political stability are less prevalent.

But in the social context few successes can be claimed. Sharp regional imbalances, massive poverty and an explosively high population growth rate, the highest in the world, remain.

However, the revenue from the *rising oil* exports and the prospects held out by the immense hydrocarbon reserves (still underestimated at 40bn barrels; a higher figure is likely to be mentioned in the speech) do offer hope for improvements in this direction.

The National Industrial Development plan, announced in March, has outlined how industry will be expanded with the oil revenue, *naming priority* sectors like capital goods, and spelling out fiscal incentives and a decentralisation policy.

The revenue from oil exports, estimated at over \$4bn this year, is fuelling economic growth of the order seen before the last administration, when the "Mexican miracle" took place. But unlike in that period, when price stability was maintained, high economic growth is bringing in its wake high inflation, which the Government is failing to control. No substantial policy measures to combat it have been announced.

The inflation prediction of 18 per cent contrasts poorly with the target of 12.5 per cent set by Sr. Lopez Portillo last September.

High inflation is for some the unavoidable corollary of rapid growth which is projected at 10 per cent after 1982. If this is true, Mexico will have to learn to live with it and introduce measures accordingly like indexing and taking measures to adjust the exchange rate (de*valuation has an alarmist ring* about it).

Sr. Jose Andres de Oteyza, the Industry Minister, is a firm believer in not allowing inflation "to inhibit us from growing." His colleagues on the other side of the city at the Banco de Mexico and the Finance Ministry would not put it so bluntly.

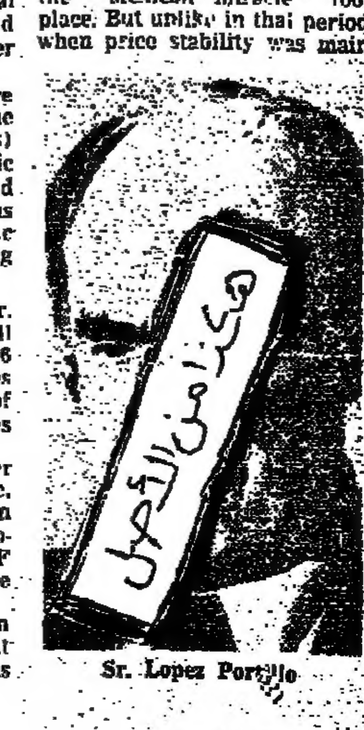
The World Bank in its latest report on Mexico argues that "the real issue is the interrelation between the exchange rate and inflation."

It concludes that "the exchange rate should be used as an active and important tool of economic policy." This in turn begs the question of what will be the long term policy and whether Mexico will pursue high oil exports, as seems most probable, or seek higher non-oil *exports and increased public* savings with more moderate growth.

Little has been defined beyond the strategy of reaching an oil export ceiling of 1.1m b/d by *the end of 1980*, which would bring in between \$8bn and \$9bn at current prices.

Mexico's public foreign debt is \$28bn and total debt service charges are over \$7bn this year, which but for the oil as collateral would be extremely worrying.

Sr. Lopez Portillo faces the unenviable task of trying to limit inflation while fostering growth, a vicious circle made even worse by the Mexican tendency to talk of oil as if it was manna from heaven.



Sr. Lopez Portillo

David Lennon in Tibnine, south Lebanon, on obstacles to peace

The bloodletting in Lebanon

TWO WARS are being fought in South Lebanon: one between Israel and the Palestinians, the other between the Lebanese left and right. They occur simultaneously and involve the same combatants.

Last week the fighting reached a new level of intensity with over 1,000 shells being fired daily. International pressure in the face of mounting civilian casualties brought a truce.

The Palestinians and *Lebanese left wingers are fight*ing the Israelis and Christian militias. Each party has its own reasons, which at the moment happen to coincide along the divide just described.

Israel wants to crush the Palestinians, the Palestinians want to hurt Israel. Their Lebanese allies are continuing the civil war which destroyed their once prosperous country.

In the middle are the farmers and the villagers whose only desire is to be left alone, yet whose shell-pocked houses are evidence of the fact that this wish has been violated.

Guarding these villages is a collection of military units from four of the world's five continents. Thirty men from this UN Interim Force in Lebanon (UNIFIL) have died on the *mission.*

The commander of the UN force in Lebanon and the senior Israeli liaison man with the Christian forces say that there is no military solution to the problem.

Their opinion is better understood by taking a look at the parties involved.

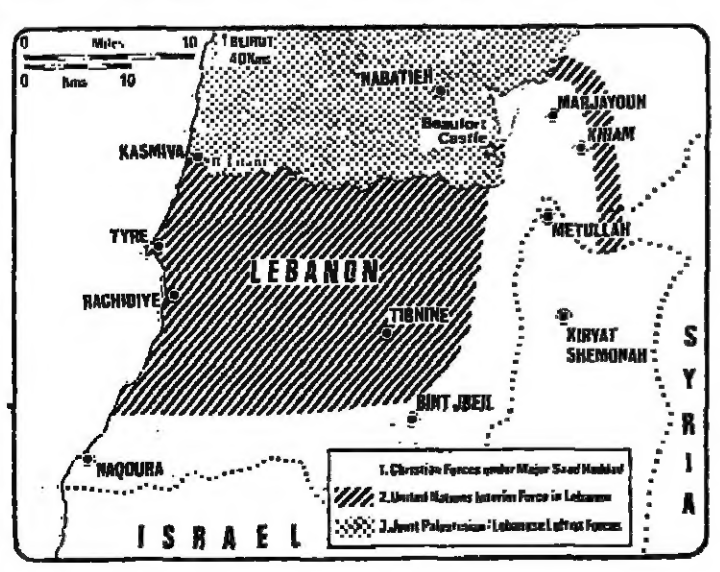
Behind the conflict hover the U.S. and the Soviet Union, who are supplying the combatants in a proxy war for influence in the region.

Then there are the Arab oil states. They play a key role in supplying funds and weapons and also in applying international political leverage.

Next in power comes Israel, a small and embattled nation with the most powerful military force in the region and perhaps the greatest fear of annihilation.

Then there are the Palestinians, fighting for the homeland they lost to the Israelis.

The latest victims of these power struggles are the



Lebanese, who were already faced with their own power struggle brought on by the growth of the Moslem population which upset the delicate demographic and political balance in the state.

The bloody Lebanese civil war, quelled by the Syrian *occupation, has been transferred* to the south, which was not taken over by the Syrians.

All the forces involved believe that right is on their side and they emphasise this by trying to demonstrate that might is also on their side.

Major Saad Haddad, commander of the Christian militia in southern Lebanon, is blunt: "Those Palestinians and leftists are all murderers and liars."

The Palestinian-Lebanese left-wing command declares with equal vehemence: "Haddad is an Israeli stooge who allows the Zionists to control the south."

They are both telling only a part of the truth. It really would not matter, if it were not for the fact that they kill and maim humans to prove their point and that they are in the cockpit of a possible fifth Arab-Israel war.

Israeli and Syrian aircraft have already clashed over Lebanon, indicating how this localised war continually threatens to escalate.

Maj.-Gen. Emmanuel Erskine, the UNIFIL commander, is a *handsome, articulate and charm*ing Sandhurst graduate thrust into the midst of a very nasty war. He was given a theoretical force of 6,500 men, which now numbers only 5,700, and told *to keep the peace in Southern* Lebanon.

"There was no peace there for us to keep in the first place," he observed.

Not only that, but UNIFIL was put in without the consent or co-operation of the warring sides. It was sent in to replace Israeli troops who had invaded the territory in March 1978, after a particularly bloody Palestinian attack in which over 30 civilians died in a shoot-out just north of Tel Aviv.

Under U.S. pressure Israel handed over some of the *occupied territory* to the UN, but it transferred a 10-kilometre wide belt along the border to the Christian militias allied to Israel. This Israeli partiality dealt a serious blow to UNIFIL even before it began its work of restoring order and enabling civilians to return to their villages.

Gen. Erskine believes the difficulty of his task was compounded by the UN's failure to obtain the prior co-operation of the parties to the conflict, especially the Israelis.

Confronted with the various fighting factions the UN troops *hardly know which way to turn.* All the groups are trying to infiltrate or pass through the UN area so that they can get at each other.

The Israelis bitingly refer to *Gen. Erskine as "Mr. Erskine,"* and decry the fact that, according to their estimates there are 500 Palestinian guerrillas in the UNIFIL area of operations.

But when asked if they want *UNIFIL* cut, the Israelis and Christians are quick to say no. An Israeli officer explained: "If they were not there, thousands of Palestinians would be in the south instead of the hundreds as at present. What we want UNIFIL to do is to enforce the peace, then police the area as their mandate requires.

As the UN casualties mount, many question whether they should stay on to take the ungrateful punishment of all sides.

An anaesthetist with the Norwegian medical corps justifies his presence thus: "If UNIFIL left, all hell would break loose." troops were immediately denied access to the 10-kilometre belt along the border.

China shows interest in new Boeing airliner

BY PAUL BETTS IN ROME

CHINA IS understood to be interested in the eventual purchase of a number of the new Boeing 767 medium-haul aircraft, currently under development.

Italian aerospace officials yesterday indicated talks were in progress between China and the U.S. group on the Boeing 767, which will be constructed in collaboration with the Italian state Aeritalia concern and the Japanese CTDC group.

Aeritalia's share in the construction of the new passenger aircraft amounts to about 15 per cent. The Italian group is specifically involved in the construction of the moveable areas of the wings and the aircraft's tail secion.

The latest deal would not be the first China has made with Boeing, according to Italian aerospace officials. At the end of last year China placed an order for three Boeing 747 long haul SP aircraft and an option for two more. The three 747 SPs are scheduled to be delivered within 1980.

If the options for the other two are confirmed, these are expected to be delivered in 1981. Six years ago, Boeing supplied Peking with ten Boeing 707 aircraft.

Collaboration in the Boeing project has considerably enhanced Aeritalia's future prospects. A team of Aeritalia technicians has been working on the programme at Seattle and is now expected to return to Italy where a special technical division for the Boeing project will be set up at Pomigliano d'Arco, near Naples.

Aeritalia also plans to open a new plant at Foggia employing some 1,000 people for the Italian end of the Boeing programme.

● Scandinavian Airlines has ordered two Boeing 747s with a contract value of $135m and has taken options on an additional five aircraft.

Deliveries of the two firm orders will be in 1980 and late 1981. The first will be a version capable of carrying a mixed payload of passengers and cargo on the main deck.

● Lockheed has proposed the sale of two modified types of L-1011 Tristars to All Nippon Airways in order to meet the airline's requirement for equipment that would take off from short runways of 6,000 feet, Reuter reports from Burbank. All Nippon plans to buy 30 new aircraft from a list proposed by Lockheed, Boeing and the European Airbus consortium. It postponed its selection because Lockheed proposed two new SF, or short field, aircraft.

Jordan ready for expanded trade role

By Anthony McDermott

JORDAN IS well-equipped to become a regional manufacturing centre, according to Crown Prince Hassan, addressing the Middle East Association in London.

In spite of Jordan's restricted natural resources — phosphates are the major export—it should become the hub of a combination of an inflow of capital, the local, relatively sophisticated administrative and managerial labour force, and the transfer of advanced technology.

Prince Hassan emphasised that Jordan had no desire or intention of becoming the replacement for Beirut as the regional services centre. He pointed out that because of the comparative local political stability and the restructuring of the banking system Arab capital had been flowing in.

In addition, another of Jordan's natural resources was its manpower. It was in such demand that out of a population currently about 3m, some 250,000 had been working in the Gulf over the past decade. Attracted by conditions in Jordan, and because of a lower level of economic activity in the Gulf, many were returning.

Furthermore, the country's industrial base was being expanded—about 4,000 licences had been issued through the Industrial Bank of Jordan, many of which were joint ventures with foreign companies. The problem was that too much was being concentrated around Amman, the capital in the north, and Aqaba, the sole port, in the south, but the Prince was satisfied that in future these areas would have the basic infrastructure to cope.

Rami G. Khouri writes from Amman: The Jordanian Ministry of Tourism is going ahead with long-mooted plans to build a new hotel at Aqaba which will include a large public beach complex.

Calls have gone out this week for prequalification bids from international consultants interested in designing the hotel project. The actual size of the hotel was not specified, but Tourism Ministry officials said it would be in the 150- to 200-room range.

The consulting contract is expected to be awarded by the end of this year, with the contracting tender to be issued by the middle of next year, the officials told the Financial Times.

Joint UK bid for India steelworks

BY ROY HODSON

AN ALL-BRITISH bid for the design and construction of a £1bn integrated steelworks on a coastal site in India will be put to the Indian Government by Davy International and the British Steel Corporation.

The key factor that has persuaded the two groups to join forces is the understanding that the Indians would prefer to receive a proposition from a wholly-British consortium.

Davy and British Steel believe that by acting jointly, and with the backing of attractive Government-supported credit facilities, they can win the contract in the face of fierce international competition from almost every country in the steel plant business.

The express Indian wish for an all-British bid has caused both Davy and British Steel to drop their original plans. Unknown to each other they had submitted separate schemes for a coastal works. British Steel had proposed that its international division design and supervise the construction of a plant with an initial capacity of 1.4m tonnes of steel a year which later might be expanded to 2.4m tonnes a year.

Davy was participating with other west European plant manufacturers in a bid to build a 1.3m tonnes a year plant which would eventually be developed to 3m tonnes.

Sir John Buckley, chairman of Davy International, said yesterday that the reception of a joint British Steel—Davy bid would depend largely upon the prevailing Indian situation.

Davy is exploring steel plant construction opportunities throughout the developing world and in addition to India is talking to the governments of Mexico, Venezuela, Brazil, Argentina, and South Korea. British Steel is developing its international division and has collaborated with Davy on several projects including a plant now under construction in Venezuela.

India is finding that her present integrated steel plants, built with British, West European, and Russian help, are not adequate to meet her domestic steel needs.

INVESTMENT IN BRAZIL

Japanese seek preferential terms

BY DIANA SMITH IN BRASILIA

THE JAPANESE GOVERNMENT wants preferential treatment for Japanese investors in Brazil. It has also implied that the lifting of Brazilian import restrictions, imposed on all "non-essential goods," would be the best way to expand and balance two-way trade.

This transpired after meetings between members of the Japanese Cabinet and their Brazilian counterparts in Brasilia earlier this month, which examined the state of relationships between the two countries, and how best to improve what are held to be amiable and productive ties.

Mr. Sunad Sonoda, Foreign Affairs Minister, Mr. Masumi Esaki, Industry and Foreign Trade Minister, Mr. Michio Watanabe, Agriculture Minister, Mr. Kinji Moriyama, Transport Minister, and Mr. Takehiro Sagani, Deputy Treasury Minister for oFreign Matters, and 35 officials attended this second meeting of the Bilateral Ministerial Consultative commission set up in Tokyo in 1976.

The key points were trade, $591m in Japan's favour in 1978, with Japanese exports of $1.241bn, and $99m in its favour during the first five months of 1979. Also investment, where according to Brazilian statistics, Japan has $1.4bn invested here, but according to Japanese figures, $2.3bn. The progress of joint projects and opportunities for future developments also figured prominently.

Co-operation is vital to both countries. Brazil hungers for rapid development, foreign capital and technology, and intensive expansion of exports of manufactured goods to partially offset expensive oil imports. Japan wants foodstuffs and raw materials, in which Brazil, potentially at least, abounds.

Relationships have proceeded in fits and starts, largely due to radical differences in the decision-making processes of the two countries.

Despite this, important Japanese-Brazilian projects have begun to crystallise since the 1960s. These include the Albras-Alunorte venture in the Amazon between Brazil's mining conglomerate, Companhia Vale do Rio Doce, and the Nippon Aluminium Company, a Japanese syndicate, which will produce alumina and aluminium for export to Japan; Tubarao steelworks, a venture between Brazil's Siderbras, Italy's Finsider and Kawasaki Steel, in Espirito Anto State, where 2m tonnes a year will be produced, partly for export; the Cenibra-Flonibra pulp and forestry project, shared by Vale do Rio Doce and Nippon pulp producers, for export to Japan; the Nibrasco iron ore pellets venture in Tubarao, co-operated by Vale do Rio Doce, and Japanese steel manufacturers; Ishibras (Ishikawajima of Brazil), which builds bulk carriers in Rio de Janeiro for Petrobras, the oil monopoly; and Vale do Rio Doce and Usminas, arguably Brazil's most efficient existing steelworks, run by the state with expert advice and training from Nippon Steel.

These ventures and direct investment made Japan the third largest foreign investor in Brazil after the U.S. and West Germany. Brazil is now the third largest recipient of Japanese investment after the U.S. and Indonesia (9 per cent of all Japan's investment abroad). Brazil takes 50 per cent of Japan's investment in Latin America.

Japanese financing accounts for 8 per cent of the total, $48m Brazilian foreign debt.

The Japanese request for particularly favourable treatment for its investors comes at a delicate moment. Gradually, the Brazilian authorities have moved from their former open arms policy towards foreign investment to a cautious system of checks and balances designed to increase Brazilian participation in industrial production and encourage full transfer of technology to Brazilian sources.

A cooling of private foreign borrowing, through recent restrictions on Cruzeiro conversions of foreign private loans, has made borrowing abroad so expensive that a number of foreign concerns are taking loans locally

As industry has gathered strength and efficiency, the nationalistic mood among businessmen has grown, and several large Brazilian groups are pressing for even more stringent controls on foreign concerns.

The Government tries to achieve a balance, offering what it considers reasonable conditions compatible with national interests. A 4 per cent annual remittance of profits and dividends is allowed; double taxation agreements are honoured; 50 per cent relief on the 25 per cent income-tax rate on payment of interest and commissions on foreign loans is given. In several states lavish tax incentives and assistance in finding and acquiring factory land are offered for foreign concerns interested in forming joint ventures with private Brazilian companies or State Authorities.

It is the current restrictions that appear to trouble the Japanese According to Mr. Masumi Esaki there are chances of expanding Japanese investment in Brazil in the long run. But, he said after the two-day meeting: "We hope that Brazil will make a special effort to create favourable conditions for activities of Japanese companies here."

At present a foreign company wishing to go into business in Brazil must take a majority Brazilian partner, and agree to full technology transfers.

There is some doubt that Brazil will yield to Japan's request for preferential treatment, despite the weight of Japanese economic ties. The national mood has grown even more introspective as the full impact of the oil crisis begins to make itself felt, and even more insistence in business circles that relationships with foreign enterprises be partnerships, not concessions to outside demands.

The meeting and subsequent contacts between the Japanese and the Brazilians yielded several possible areas of co-operation. These include joint working of the huge Carajas iron ore reserves in the Amazon owned by Companhia Vale do Rio Doce and Japanese co-operation in building a "soya railway" from the far south to the coast.

No U.S. credit seen till 1980

BY DAVID BUCHAN IN WASHINGTON

CONGRESSIONAL action to approve the new U.S.-China trade agreement and to raise the U.S. Export-Import Bank's ceiling on new loans and guarantees will be needed if the Carter Administration's promise to give U.S. exporters to China $2bn in credit over the next 2-5 years is to become a reality, officials said here yesterday.

Eximbank officials also pointed out that the $2bn figure announced by Mr. Walter Mondale, the Vice-President, in Peking this week was only a target, and that U.S. credit could therefore be more or less than this amount over the next few years.

They said it was not a firm line of credit, pre-arranged with banks and Government credit institutions, of the kind that West European governments, like Britain and France, had offered their exporters to China.

Eximbank officials said yesterday that, though they had received from U.S. companies inquiries well in excess of $2bn already, the bank was unlikely to grant any loans or guarantees before next year.

A necessary first step was a waiver by President Carter of the Jackson-Vanik Trade Amendment which bars credit to countries that restrict free emigration. Though there is little doubt that China's policies on emigration would pass muster on this score, Mr. Carter is not expected to waive this amendment for China until Congress approves the new framework trade agreement, signed in Peking last month.

In the new fiscal year beginning on October 1, the ceiling on new Eximbank loans has been raised to $4.1bn. But bank officials said yesterday that this would have to be raised further by Congress, if substantial credits to China are granted.

One last snag still to be resolved with the Peking Government is the Eximbank claim for the repayment of $26m on loans made to pre-revolutionary China in 1946, and a similar amount owing in unpaid interest on these.

AP-DJ adds: The U.S. Export-Import Bank said it will begin reviewing the environmental impact of its major direct credits to foreign borrowers, starting with loan applications received on and after next Tuesday.

But the U.S. agency made it clear that its environmental review process will interfere as little as possible with the efforts of U.S. companies to sell their products abroad.

£5.4m UK loan for Egypt

FINANCIAL TIMES REPORTER

MORGAN GRENFELL has signed a financial agreement with the Rural Electrification Authority of Nasr City, Cairo, for a loan of £5.4m which is guaranteed by the Export Credits Guarantee Department.

The loan will help finance the £7.1m contract recently awarded by the authority to GEC High Voltage Switchgear for the supply of equipment for eight 66/11 KV substations and four extension substations. The remaining £1.7m will be financed by a bilateral aid agreement between the British and Egyptian Governments.

● National Westminster Bank has signed a £5m line of credit with Ceskoslovenska Obchodni Banka to enable buyers in Czechoslovakia to place orders in the UK for capital goods and associated services.

The loan is guaranteed by the Export Credits Guarantee Department and is available for contracts of £20,000 or more up to a maximum value of £1m.

Chemical group chief resigns

MR. ERNEST TYERMAN, chief executive and deputy chairman of Croda International, is leaving the company "to seek alternative employment" according to a statement from the group yesterday.

Mr. Tyerman has been with the UK-based chemicals group for over 30 years. He began his career as a trainee sales representative and became chief executive in 1973. This spring he was made deputy chairman in charge of the group's overseas division but it is believed he was not happy in his new post.

Writ for shipbuilders

Smith's Dock Company, part of the State-owned British Shipbuilders, is to be sued by Ellerman Lines and the R. B. Leasing Company for the return of over £7m which was paid as pre-delivery instalments for a ship Ellermans said in February had technical faults.

Radio 'radiation'

Routine broadcasts on a high frequency radio set in the Israeli Embassy are the likeliest cause of the "radiation" *which caused last Friday's* evacuation of a fire station in Kensington, according to the National Radiological Protection Board called in to assist Greater London Council scientists.

Car ferry to end

Townsend Thoresen, the European Ferries group is to stop operating its passenger car ferry service between Felixstowe and Rotterdam at the end of next month, as a direct result of higher fuel charges.

Hydrofoil delay

The proposed hydrofoil service between London and Ostend, to be operated by P and O Ferries, is to start on February 29, up to six months later than planned.

Women prisoners

Women prisoners should be put in male prisons and Borstals so that they could be nearer their homes, says the Howard League for Penal Reform.

Young Tories' paper

The Young Conservatives are launching a monthly newspaper this Saturday to compete with Left-wing journals sold on the streets. The paper, entitled Democrat, will cost 10p with an initial print of 100,000.

Pools stakes up

Littlewoods Pools announced yesterday increases in stakes and tax paid by 10.62 per cent last season. Stakes were £202.69m *and tax was £51.07m. Winnings* went up 8.47 per cent to £59.21m.

Energy efficiency

The first statutory national energy efficiency standards are to be adopted in Britain by January 1981. They cover heating equipment, including central heating and steam boilers, and will be made statutory under an EEC agreement.

Comprehensive report

More than 80 per cent of British secondary school children attend comprehensive schools according to government statistics. *Statistics of Education, 1977, Volume 1, Schools (HMSO, £5.05).*

Renault expands UK service and dealers

BY LISA WOOD

RENAULT UK announced a new strategy yesterday to meet increasing demand for its cars. This includes doubling Renault service points and reorganising the regional network of dealers.

A traditional importer into the UK, Renault had 5.43 per cent of the market in the first seven months of this year and overtook Datsun as leading importer.

It aims to sell 93,000 cars here by the end of the year, *nearly doubling the number of* units sold in 1977. Last year it sold 69,627 and next year plans to sell 125,000.

The reorganisation includes expansion of Renault's 450-strong dealer network from three semi-autonomous regions to five, each with between 80 and 100 dealers. *The company* thus aims to have a dealer within reasonably near access of most people.

Training schools

It says its dealers have full workshops and have therefore welcomed increasing service points from 70 to 150 by the *end of this year.*

Garages working as Renault service points can attend the company's own training schools, to be increased from two to five.

Mr. Alain de Saint-Victor, managing director of Renault UK, said: "The whole purpose of this reorganisation is to improve our communications and organisational needs in the network to meet our sales objective of 125,000 units in 1980.

"By increasing the number of regions from three to five we plan to be in a position to meet the higher demand for Renault cars, and if the market becomes tougher we shall be better geared up for each of the regions to adapt to their own local problems."

Steel industries urge end to restraints on scrap exports

BY ROY HODSON

SIR KEITH JOSEPH, Industry Secretary, has received a joint proposal from the steelmakers, the iron founders, and the scrap metal industry that restraints on exports of British steel scrap *should be largely abolished.*

All parties concerned in drawing up the proposal agree that the British Scrap Federation—the merchants' own trade organisation— would be a suitable body to manage scrap export controls in future.

The proposal marks an unusual degree of unanimity between the British Steel Corporation, the British Independent Steel Producers Associations, (representing the private sector steel-makers), the Council of Ironfoundry Associations, and the British Scrap Federation.

An early response is expected from the Government. But it is by no means certain that the joint industry scheme will find favour in Whitehall.

By nominating Mr. Roy Boast, executive vice-president of the British Scrap Federation, as the controller of the scheme, the steel and scrap industries are seeking to remove responsibility from the Department of *Industry. The proposal reminds* Sir Keith that he could help the Civil Service manpower reduction drive by abolishing a few jobs.

High-grade

The scrap users and the merchants agree that exports of low-grade scrap to countries outside the Common Market should be freely permitted from September. The export quota of that material is now 60,000 tonnes a month.

It is also proposed that the export ceiling to third countries for high-grade scrap should be raised from 3,000 tonnes a month to 25,000 tonnes a month.

The reason behind proposals *is the poor market for steel* scrap in Britain because of depressed demand from steelworks. Both British Steel and BISPA have acknowledged to the scrap merchants that steelworks in Britain are unlikely *to be able to raise their purchases of scrap during the next* few months.

Faced with a poor home market, the scrap merchants have been pressing the industry *and the Government to be* allowed to sell more British steel scrap on the open world market.

The European Council of Ministers is expected to shape a new policy in the autumn governing exports of European Coal and Steel Community scrap to third countries.

The British steelmakers, foundries and scrap merchants, are stressing in their proposal to Sir Keith that a new export policy for steel scrap should remain flexible. They say that *the licensed tonnages suggested* could be changed at short notice.

Lloyds machines for Access

BY MICHAEL LAFFERTY

CUSTOMERS of Lloyds Bank with Access credit cards will enjoy a new cash facility from September.

They will be able to obtain cash advances of up to £50 a day, through the Lloyds "Cashpoint" machines, provided Access credit limits permit. This will be an addition to the facility to obtain cash advances against Lloyds bank accounts.

The move is the latest step toward extending uses of credit cards. Access's rival Barclaycard has already announced introduction of a similar scheme from next January. Barclaycard-holders will be able to obtain advances through the Barclays cash-dispensing machines.

The Lloyds network of nearly 800 "Cashpoint" machines is "on-line" to a central computer which maintains customer accounts. The system can dispense varying amounts of cash up to £50 a day, provided customers do not exceed their credit limit.

Cashpoint outside machines are operational between 8 am and 9 pm every day, except Sunday and Christmas day, while dispensers inside banks are available between 9.15 am and 4.45 pm on weekdays.

Drama in £5.6m BBC2 plan

BY OUR OWN CORRESPONDENT

NEW DRAMA is prominent in BBC-2's £5.6m autumn plan, announced by Mr. Brian Wenham, BBC-2 controller, at the Edinburgh International Television Festival yesterday.

Easier

Complementing the £12m BBC-1 schedule launched on Tuesday, BBC-2 plans include Verdi's opera Tosca from Tokyo; Churchill and the Generals, starring Timothy West and Eric Porter, a series with Margot Fonteyn on dance; and a seven-part adaptation of John Le Carré's Tinker, Tailor, Soldier, Spy, starring Alec Guinness.

BBC-2 will begin one and a half hours earlier in the evening and will take up where the abandoned Tonight *programme* on BBC-1 left off, with a new, 45-minute Newsnight, using the resources of the news and current affairs departments, late at night.

A topical revue delayed by the general election, Not the Nine O'Clock News, will go ahead.

Six programmes will feature the old-time British entertainers Arthur Askey, Sandy Powell, John Laurie, Tommy Trinder, Fred Emney and Jack Warner, telling their stories in show business.

Explicit

Mr. Wenham defended his decision against criticism by Mrs. Mary Whitehouse to show Miami Circuit Eleven, an American series of *a real murder* trial containing bad language and explicit accounts of a killing.

He said the programme was being screened late enough.

● NEWS ANALYSIS—DAVID CHURCHILL STUDIES CONSUMER PRICE WAR

M & S reacts to market resistance

WHEN A blue chip retailer such as Marks and Spencer announces only its third major price cutting campaign in almost three decades, the seriousness of the present plight facing Britain's retailers is only too clear.

Retailers are being squeezed between sharply rising costs and resistance from consumers.

But the final straw was the *VAT increases announced in the* Budget. These are due to be offset partially later in the year by tax rebates but the reality is that consumers are having to dig deeper into their pockets to pay the extra VAT.

Marks and Spencer's action highlights the strength of consumer resistance to higher prices. M and S has usually remained aloof from any price war its competitors have mounted in the past.

It has maintained a rather perverse pride in the fact that *its acknowledged high quality* clothing and foods have retained customers' loyalty in spite of noticeably much higher prices.

While the major supermarket multiples have been locked in a bitter price war over the past two years, M & S has virtually ignored the battle. As other stores groups such as F. W. Woolworth and British Homes Stores have been forced to curtail their food operations, M & S has steadily expanded food sales.

Now, it seems, even the Marks and Spencer bubble is about to burst. Total sales are below target by some 5 per cent since the VAT increases in mid-June and for a company with sales of £1.5bn a year, such a shortfall is hard to ignore.

The decline in sales is mostly due to a collapse of non-food sales, although the rate in increase of food spending has slowed down also. The lower tourist traffic in London this summer may also have hit sales at the three big central London stores.

The sales fall alone would have been insufficient to spark off the decision for a price-*cutting campaign to boost* volume. Instead, M & S made clear yesterday that it was a combination of rising costs, increased inflation, as well as depressed consumer demand that forced the decision on the company.

Apart from rising raw material costs and the strength of sterling, the company has, along with all other retailers, come under fierce pressure from increased energy, distribution, property, rates, and labour costs.

The company has just given its 44,000 employees a "substantial" pay rise, although it refuses to say exactly how much.

The last really major price cutting campaign—apart from a mild flutter in the early 1970s—was in the early 1960s.

Now it is embarking on price cuts of between 10 and 15 per cent on a wide range of items including food, home furnishings, and clothing.

The total package of cuts—worth £11m in the run-up to Christmas — will be financed mainly by the company but also to the tune of £4m by M and S's suppliers.

Suppliers, who are facing their own cost pressures, appeared to have little option but to comply with M and S's request for prices to be held back.

But not all of the company's 300 UK suppliers are taking part in the promotion, since some were able to convince M and S that they could not afford to finance a price war, while others *are still dragging their feet.*

These suppliers are well aware that the only real losers in a High Street price war are the manufacturers. The example of the food price war on food manufacturers is an all-too-topical warning.

Yet M and S has been forced into the classic retailing response to a period of tough trading—cut prices and hope that the extra volume generated can more than pay for the extra pressure on profit margins.

It is a formula that, if successful, does enable a retailer to come out ahead of the game. But if volume sales are not sufficient to justify the price cuts, the strategy can prove disastrous.

Although the stock market had already anticipated such a move by M & S, and had marked down the company's share price over the past week, few in the retail industry expect M & S's price cutting strategy to fail in the short term.

The company's attraction for shoppers, it is argued, is too in-built to be lost overnight.

But there are fears that what may start out as a short term tactic may escalate beyond control. For M & S in particular, its well-established reputation for quality and service results in a high level of staff costs.

But M & S is already helping to finance the price cuts through savings in staff costs, mainly by not recruiting as many staff as had been planned and therefore increasing the productivity of existing employees.

But the longer term fear is that other retailers may react to M & S's move by launching price cutting campaigns of their own—with the inevitable result of a bitter and lengthy price war throughout all sectors of the High Street.

There are some indications that other retailers may be loathe to embark on such a war—but if M & S feels the situation is sufficiently serious to warrant a price-cutting promotion, then other less reluctant price cutters may all too easily follow suit.

One fact remains clear, however. M & S has no intention of departing from its well-established policy of no advertising.

It does not believe in the benefits of consumer advertising—even to tell of lower prices — preferring to rely instead on word of mouth.

Two key contracts for Brae oilfield

By Ray Dafter, Energy Editor

PAN OCEAN, which operates the £700m Brae oilfield development project in the North Sea, has awarded two key contracts.

Matthew Hall Engineering will design the facilities for the Brae Field production platform to be installed on block 16/7 in the UK sector of the North Sea. This contract is believed to be worth between £4.5m and £5m.

Taywood-Santa Fe (TSF) has been appointed project support services contractor. Neither TSL nor Pan Ocean would indicate the value of this contract, *although it is known that within the Brae Field consortium it is* regarded as one of the most important appointments to be made.

Matthew Hall, a British group, will provide the design and detailed engineering work for all the production and process equipment, the deck equipment structures, crew accommodation, life support utilities and other *facilities*—including power packages, safety systems, helicopter deck and flare boom.

Capacity

The platform—a single fixed steel structure—will have a production capacity of 100,000 *barrels of oil and* 12,000 barrels of natural gas liquids a day.

Brae will be the eighth North Sea production platform to have deck facilities designed by Matthew Hall. The total planned production capacity of all the platforms is 1.2m barrels a day, equivalent to 70 per cent of UK oil consumption.

Taywood-Santa Fe's contract covers project administration, engineering control, budget and cost control, planning, contract negotiations and administration, accounting, procurement and supervision of fabrications, construction, installation and the hook-up of production facilities.

The group is a British company jointly owned by Taylor Woodrow Construction and Santa Fe International Corporation—a U.S.-based engineering, construction and drilling company.

Residents to oppose helicopters

By Michael Donne, Aerospace Correspondent

STRONG PUBLIC opposition will be made against a renewal of the licence for helicopter flights between Heathrow and Gatwick, when public hearings are held in September.

The Civil Aviation Authority has set aside 10 days in September—11-14, 19-21, and 25-27 — in the Connaught Rooms, Great Queen Street, for the hearing of applications by British Caledonian Airways and British Airways (Helicopters), for renewal of the licence from December 9 this year.

The licence was originally *granted in May 1978 for 18* months. It permits 10 flights a day between Heathrow and Gatwick using Sikorsky S-61N helicopters, at a single fare of £14. The service is supported by the British Airports Authority.

In its first year the service carried 58,000 passengers, representing a load factor of 32 per cent. Most of the passengers were those making flight connections between the two airports.

But the service has aroused anger and bitter opposition in the residential areas of Surrey across which it passes—especially in Oxshott and around Sunbury-on-Thames.

The route has been varied, to combat the problem, but many complaints are still being made. *It is* expected that local residents, local authorities and environmental protection lobbies will oppose the renewal of the licence.

This is why so many days have been set aside for the hearing. Many protesters claimed that they had been given insufficient time at the original hearing to present their cases.

Small firms

By James McDonald

THE ASSOCIATION of British Chambers of Commerce has written to Sir Keith Joseph, the Industry Secretary, urging that Small Firms Information Centres should be disbanded.

Mr. S. L. Speight, chairman of the national council of the association, said that chambers of commerce provided similar services to the centres. He added that to expand the centres' activities—as the *Department of Industry* has been planning—would also contradict the Prime Minister's policy of not letting the public sector duplicate the role of the private sector.

Shipping foreign exchange earnings down £100m

BY LYNTON McLAIN

BRITAIN'S MERCHANT fleet earned a net surplus of £942m in foreign exchange last year, almost £100m down on the previous year, the General Council of British Shipping said yesterday.

The industry's turnover also dropped by £315m, to £2.315bn last year.

This was the first fall for 12 years in revenue from sea freight, passengers and period charters. The council said it was due to the world recession, the high volume of ships laid-up without work and the decrease in the size of the UK fleet.

Nine per cent of the British-owned and registered fleet of over 1,600 merchant vessels was laid-up for three successive months last year.

The number of idle ships fell this year, but at the end of July, 5 per cent of the British fleet was still idle, compared with 3 per cent of the world's fleet.

Scrapped

Britain lost 4.5m deadweight tons of ships sold or scrapped last year and the fleet now totals less than 40m dwt.

Total gross earnings of the fleet last year came to £1.87bn and of this £928m was spent abroad on bunker fuel, port and cargo-handling charges.

However, although the British-registered and owned fleet made a net contribution in foreign exchange earnings of £942m, the industry is expected to have made a net loss of less than £300m on the Government's sea trade account.

This covers all UK payments for shipping services, and comprises the balance of payments transactions for British ships, foreign ships on charter to UK companies and overseas operators.

The figures for the sea trade account have not been finalised by the Government.

Ulstermen 'united' in opposing independent Northern Ireland

BY LISA WOOD

ROMAN CATHOLICS and Protestants in Northern Ireland appear united in opposing an independent Northern Ireland state, according to a survey of public opinion.

The survey, commissioned by Independent Television News from Opinion Research Centre, showed that only 5 per cent of the poll (including 4 per cent of Protestants) thought that such a move might end the *difficulties in Northern Ireland.*

Although the poll indicated that the two communities remain deeply divided over many aspects of life, 77 per cent of Roman Catholics and 73 per cent of Protestants said *that they would be prepared to* support a form of government in Northern Ireland that would encourage both communities to work together.

Only 5 per cent of Protestants, compared with 34 per cent of Roman Catholics, wanted British troops out.

The most important short-term British Government priority was reducing the violence. Although 55 per cent of Protestants felt that Dublin's most imporant short-term priority should be the more active pursuit of IRA members, Roman Catholics believed that it should be to encourage London to *develop a political solution.*

The political initiative towards a solution that appeared to create the smallest difference between the communities was "an elected assembly with substantial powers in Northern Ireland and with guaranteed representation in decision-making for both communities."

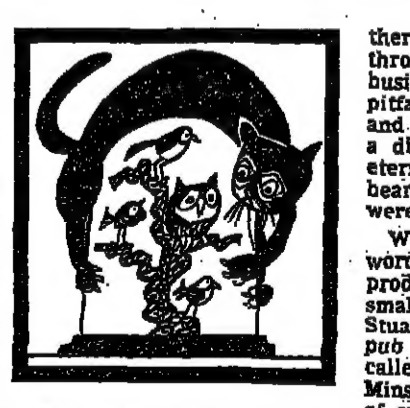
In the longer term, half the sample felt that the province's troubles would be eased by closer ties with Great Britain.

The survey was carried out in the period July 16-20 among 632 electors in the province.

Why taxidermists are becoming another endangered species

BY JOHN GRIFFITHS

Stuart Morgan in his taxidermy studio in Shrewsbury. *Freddie Mansfield*



TAKE, FOR example, foxes that in life's great struggle have run up *against cars as opponents*. ... Stuart Morgan does, quite frequently. And, provided Mr. Dunlop has not made too deep an impression, he stuffs them.

The rural roads and lanes round Stuart Morgan's home town of Shrewsbury provide rich, tragic pickings for those such as Mr. Morgan who endeavour to make a living out of what in more senses than one is the dying trade of taxidermy.

Hedgehog

Farm born and bred, he has eyes like one of the hawks that stare with beady, made-in-West-Germany eyes from some of his show cases: he can spot a late but largely intact hedgehog at 400 yards doing 50 — Mr. Morgan, not the hedgehog — and recalls one red-letter day when a short trip yielded no fewer than three assorted owls after their terminal night out on the windscreens.

That might make Stuart Morgan, and his brother Alistair, who works with him under the business title of Midlands Taxidermy and Glass Case Services, sound like the Burke and Hare of the wildlife world; but not so.

They are quick to point out that it makes better sense to convert one man's road casualty into another's pride of mantelpiece, or a school's biology class display, than to go out hunting ... in any case, there is no need to hurtle through the dark drumming up business, so to speak; there are pitfalls enough for the furred and feathered unwary, to which a display of a starling fleeing eternally from a sparrowhawk bears mute testimony. Both were victims of plate glass.

What with accidents and the word-of-mouth network that produces a steady stream of small boys and country folk to Stuart's front door, a converted *pub in an area enigmatically* called The Bog in the village of Minsterley, there is no shortage of specimens.

Collectors

What is missing these days, however, is large-scale demand for the taxidermist's work: for the business is far removed from its heyday of the late 18th and early 19th centuries when it was perfectly respectable for colonial Britons to range from Jaipur to Jinja blasting anything unwise enough to move.

The output from Stuart's taxidermy business, run from the top floor of a boat sales yard on the banks of the Severn in the heart of Shrewsbury, *varies considerably* and is often only a few specimens a week. Apart from a numerically very small hard core of collectors, there is no clearly identifiable market for its subjects, most of which, depending on the type of subject, the complexity of its background setting and the size of glass case, will cost the purchaser rarely less than £35, rarely more than £100.

With most museums, the main consumer of taxidermy objects, employing their own staff, much of the smaller commercial taxidermists' work goes to casual purchasers seeking something different with which to enhance their homes.

Certainly taxidermy in itself does not encounter enough demand to provide the Morgans with a full living. To make the books balance, they are resorting to alternatives. They are need to house only taxidermy need to house only taxidermy specimens; one order for 150 cases is for a toy maker and they are being promoted also as suitable resting places for objets d'art.

At the same time, Stuart now spends considerable time dealing in antique taxidermy.

But even here, there is *not* an investment market to anything like that for stamps or coins; a 19th century, well mounted eagle might fetch £500 to £600, but the extinct Great Auk, *which passed through Sotheby's* a few years ago at £10,000, is a very rare exception.

The process itself is fairly simple: the skin of the beast or bird is stripped away entirely and cured conventionally. The interior is then filled with one of several compounds — modelling putty, even plasticine—and the skin stitched back up again. It is in the presentation of the animal that the skill comes in.

This article is the last in our present series describing Other Men's Jobs.

One of the *greatest obstacles* facing the taxidermist is that of environmentalist concern. For some time it has been illegal for a taxidermist or dealer to stuff or sell protected animals.

What the Morgans are concerned about is the prospect of a further wildlife protection Act. If, as feared, legislation is extended to cover many or all unprotected species, it could deal a body blow to all taxidermists but those of the museums.

Taxidermy might be a serious *business in what could be re*garded as a serious situation. But it has its lighter moments. Stuart Morgan claims to be the only person to have stuffed a beast of which myths are made: it now gazes down on the bar of a pub which commissioned it, the Gryphon.

It is the business end of a buzzard grafted on to the rear end of a cat.

هكذا من الأصل

UK oil product prices 'among highest in EEC'

BY RAY DAFTER, ENERGY EDITOR

OIL REFINERIES in the UK are among the most profitable of any in Western Europe, according to a report on the oil products industry.

Also, in spite of having its own supply of North Sea crude oil, the UK is paying a higher price for its oil products (excluding tax and duties) than any of the other leading countries within the Common Market.

According to the EEC Commission, the typical price of premium petrol delivered in the UK at the end of July was $445 per tonne (excluding tax and duties)—a 20.3 per cent increase over the price at the end of June. By comparison the price of premium petrol in France was $333 a tonne, and in Italy, $315 a tonne.

Successive British Governments have had a policy of charging consumers prices based on the full international market cost of crude oil. This has been in sharp contrast with the U.S., where a substantial proportion of domestic crude oil is sold at a price well below that charged by members of the Organisation of Petroleum Exporting Countries.

Product prices and profits in the UK have also risen partly because of the abolition of the Price Commission and partly because of a recovery in the previously depressed oil products market, stockbrokers Fielding, Newson-Smith and Company, report.

The brokers' report on the refinery industry says that oil company profit margins have also been boosted by the recent strength of sterling.

As a result of all these factors, British refiners' current margins (before tax) rose from 83 cents per barrel in the first quarter of this year to $1.15 a barrel in the second three months. By the end of July the current margin had risen to $5.25 a barrel—as against $4.25 per barrel in West Germany, $2.84 in the Netherlands, a deficit of 67 cents in Italy, a loss of 45 cents in France and a profit of $1.36 in Belgium.

Fielding, Newson-Smith says that local currency price rises had been larger in the UK over the last two months than in any of the major markets in Western Europe.

Consequently, the UK could provide a barometer of fluctuations in product demand. The brokers say that while it is too early to reach firm conclusions about a possible weakening in prices caused by a dampened demand, "we note with interest that some outlets have already slightly reduced prices and planned further price increases by some of the major oil companies have been scrapped."

WESTERN EUROPE OIL PRODUCT PRICES, DELIVERED INLAND
(Excluding tax and duties)
(Dollar per tonne)

	Premium petrol		Light heating oil		Fuel oil	
	End June	End July	End June	End July	End June	End July
Belgium	351	366	248	270	102	110
France	330	333	219	220	126	135
Italy	239	315	188	257	133	144
Netherlands	345	347	223	235	114	120
UK	370	445	264	324	135	167
W. Germany	332	368	304	322	146	147

Source: EEC Commission

Advertising by large groups is criticised

BY MAURICE SAMUELSON

BRITISH RAIL, Honda and Whitbread are among 21 companies whose advertisements are criticised by the Advertising Standards Authority in its latest survey of consumers' complaints.

Details of the complaints coincide with the authority's decision to be more circumspect in saying whether it regards breaches of the Code of Advertising Practice as serious or not.

In the past it had been reluctant to record a "complaint upheld" decision because that seemed too harsh. In future, it will uphold complaints where any breach has occurred, clarifying whether or not it is considered serious.

The complaint upheld against the British Railways Board referred to the statements: "On most early morning trains, you can pop into the restaurant car for breakfast," and "on many trains you can have lunch . . . in the evening you can have a very pleasant, relaxing dinner."

From experience, the complainants had found that eating facilities were available on very few trains. British Rail had confirmed that there would be no further advertisements for the restaurant-buffet services until they had been extended.

The Honda (UK) advertisement against which a complaint was upheld was for the Honda CB 125T motor-cycle, with the headline "Take off and fly at 12,000."

It said the model looked and handled "like a racer" and "can keep you zipping along the highway at the legal limit with plenty of speed in hand."

That was criticised as placing undue emphasis on speed at the expense of safety and might encourage defiance of the law.

The authority upheld the complaint, particularly as the small machine question was likely to be bought by younger people, and the advertisers agreed to modify future slogans.

The Whitbread advertisement was a poster for Trophy bitter with the headline "body building," and which included an illustration of the product being poured into a glass. The complainant considered that it purported to offer some physically strengthening property to the drinkers of the beer.

That view was shared by the authority, which said the advertisers had agreed that the claim would not be repeated in future advertisements.

A complaint that the authority preferred neither to uphold nor dismiss was made by a member of the public and a nurse in a psychiatric hospital objecting to a promotional offer on Kellogg's Rice Krispies for a waste paper container known as a "loony bin."

The concept was criticised as tasteless and degrading and likely to cause much distress. In answering the complaint, the advertisers had stated that the product had been marketed all over the country under the manufacturer's trade mark "Loony Bin" and that there had been no criticism of the brand name. They regretted that the promotion had caused offence and confirmed that the offer had been superseded.

Other companies against whom complaints were upheld included Berger Paints, Brooke Bond Oxo, Ladbroke (Football) and Philips Industries. Complaints against British Gas Corporation, the Electricity Council and Legal and General Assurance Society were not upheld.

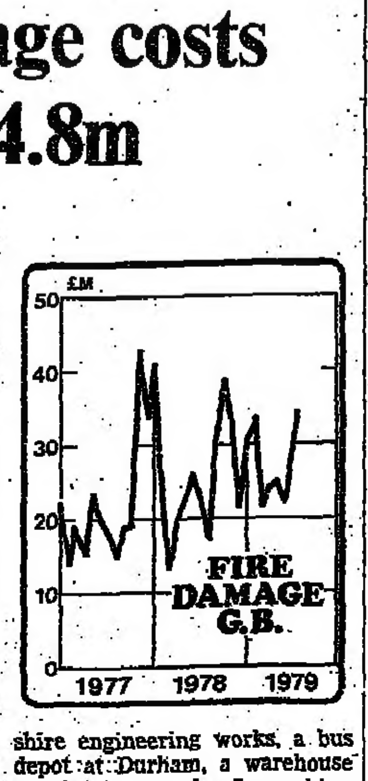
Fire damage costs rise to £34.8m

BY JOHN MOORE

A SHARP increase in the number of large fires has raised the cost of damage by £12.5m to £34.8m in July, the highest point for the year, according to the British Insurance Association.

The total was 56 per cent up on the estimated figures for June, and a similar rise over July last year, the association said yesterday.

The number of fires estimated to have cost more than £250,000 each doubled to 18. One of these, at a storage and manufacturing complex in Wigan, Lancashire, is estimated to have cost £5.7m.



Other big fires include those at a Manchester confectionery manufacturer, a Sheffield metals manufacturer, a Coventry machine tools company, a Lancashire engineering works, a bus depot at Durham, a warehouse at Aberdeen, and a Lancashire-based machinery manufacturer.

PETER RIDDELL AND DAVID FREUD EXAMINE THE NATIONAL INSTITUTE'S LATEST QUARTERLY ECONOMIC REVIEW

Governments warned against squeeze

THE GOVERNMENTS of the main industrialised countries, including the UK, are warned this morning of the dangers of worsening the deflation stemming from the latest round of oil price rises if they adopt contractionary, monetary and fiscal policies.

The warning comes in the latest quarterly economic review from the National Institute of Economic and Social Research.

The institute, an independent research organisation, argues that the experience of 1974-75 suggests that an oil price rise anyway reduces output. The proper response should be "one of some accommodation" rather than further action.

The review maintains that "a straightforward way in which governments could prevent the oil price rise from having the dual effect of deflating their economies and exacerbating the wage-price spiral would be by cutting non-oil direct tax rates so as to leave the domestic price level unchanged."

These comments arise from the institute's view that there is a danger that reactions to the latest oil price rise will be "even less enlightened" than in 1974, since it is less likely than before that there will be general agreement not to deflate.

The institute argues that the scale of the present crisis should not be exaggerated although "industrial countries seem to have accepted that the rise in the price of oil makes recession in 1980 inevitable. This need not be so."

It comments: "Competitive deflation or other balance-of-payments corrective policies (in response to the higher oil price) will do little more than shift the aggregate deficit around among the industrial countries while reducing total output and employment."

For the UK, the institute argues: "The appropriate response to the deflationary effect of the sharp increase in oil prices—which for the UK is very like an increase in indirect taxation, since a good part of the increased bill for oil eventually accrues to the Government—is not to introduce even further deflation into the system.

"The Government has declared that its overriding priority is to bring down the rate of inflation, and argues that, with sufficiently responsible pay bargaining, the rise in unemployment need not occur. It is certainly true that there is no way of bringing down the rate of inflation in the medium term unless the rate of increase in money earnings is reduced. It is open to question whether a deflationary stance of policy will bring this about."

The institute argues that "within the framework of a medium-term strategy to reduce public expenditure, the public sector borrowing requirement, and the rate of increase in the money supply, there is nonetheless a case for greater short-term flexibility as the economic environment changes."

Monetary targets questioned

A HIGHLY sceptical view of the role of monetary targets in economic policy over the past three years is presented in an article by Mr. David Savage, of the institute's staff.

On the basis of the experience since 1976, when a monetary guideline (later target) was first adopted, he questions "the technical feasibility of close control over the money supply." He says that that also "raises the broader question of the wisdom of attempting to hinge the whole of macro-economic policy on a single number."

Mr. Savage notes "a wide gulf between accounts of the determination of the money supply in the academic literature and the description of the Bank of England's operations by more institutionally minded economists who are closer to financial markets."

It is doubtful whether the authorities believe an increase in the level of interest rates reduces the rate of monetary expansion by affecting the demand for money.

"Increases in interest rates seem to have been generally aimed at reducing the rate of monetary expansion by reviving sales of Government securities to the non-bank private sector; the speculative (rather than transactions) demand for money has been the target of the authorities' interest-rate policy."

Mr. Savage notes the authorities' choice of a variety of different policy instruments to control the money supply.

In particular, the Government has regarded the monetary implications of its fiscal stance as important. But less than half the variation in the change in the money supply over the period is accounted for statistically by the public-sector borrowing requirement.

The author also draws attention to "the uncertainty surrounding the magnitude, and indeed even the direction, of interest rate effects on M3."

He argues that the evidence shows that the money supply cannot be controlled at all precisely over relatively short periods of time.

Production decline 'complex'

THE NATURE of the relative decline in manufacturing industry in the UK is much more complicated than has so far been suggested, according to an article in the review on structural changes in the economy.

Between 1956 and 1975 the share of manufacturing rose sharply, falling again in the past three years, when its growth rate has lagged behind that of the oil-inflated index of all industries.

Taking the whole period, manufacturing industry has had a stable share of the economy, at constant 1975 prices. Its weight out of 1,000 was 651 in 1956-57, 697 in 1975 and 667 in 1977-78.

The article says that at first sight there appears to be a contradiction between these findings and the conclusions of those who hold views on the "de-industrialisation" of the UK.

"In fact there is no contradiction here; advocates of de-industrialisation usually refer to either the falling share of manufacturing in total employment, or its declining percentage contribution to gross domestic product. The latter is generally measured by current prices."

The discrepancy implies that the prices of manufactured goods have fallen compared with other sectors because of greater gains in productivity.

Among the main groups of the manufacturing industries, trends have varied. Chemical and allied trades rose strongly, in contrast to the declining metal manufacture and textile-clothing sectors.

The engineering and allied industries increased their share in the years to 1975 but lost much of that gain in the next three years, mainly because of the poor performance of mechanical engineering.

Little further output expected without changes in policy

VERY LITTLE further rise in output in the UK economy is likely up to the end of next year on present policies, according to the institute's forecasts. Unemployment is likely to increase.

That, the institute says, is partly the result of the Government's contractionary policy.

In its view, the short-term prospects for the UK economy have worsened markedly since the last quarterly review at the end of May.

For instance, the institute then expected a rise in output, as measured by real gross domestic product, of 1.6 per cent this year and of 2.1 per cent in 1980. The projections are now for rises of only 0.5 per cent in each year.

In May, the institute projected a current-account surplus of £1.9bn this year and of £2.8bn in 1980. But it is now estimated that there will be a deficit of £1.7bn this year and of £400m in 1980.

The difference is explained partly by the unexpectedly high level of sterling and partly by the effects of the June Budget (although some of the changes were allowed for in the May forecasts).

The main impact of the Budget arises from the rise in value-added tax and the cuts in income tax rates.

The institute points out that fiscal policy has been tightened substantially by the Budget. That is indicated by an upwards revision of the high-employment financial surplus of the public sector in 1979-80 from £3.2bn in the May review to £4.8bn.

The review notes that "one of the worrying aspects of the current policy of setting a nominal public sector borrowing target is the extent to which the Government may respond to any automatic increase in borrowing induced by recession by still further cuts in public expenditure. Such a response would be destabilising and succeed only in deepening the recession."

The institute also "is inclined to think that the incentive effects (of the Budget changes) for the bulk of taxpayers who pay the standard rates at the margin are not likely to be great either way. If there are to be large incentive effects, they will be found among those paying taxes at the higher rates."

The main assumptions are that the effective value of sterling, as measured by the trade-weighted index, will stay at 71 (December 1971=100), near the July average, and that average earnings will increase at a rate of about 15 per cent through the period (excluding the impact of comparability awards).

On that basis, consumer price inflation is expected to average 13½ per cent this year (16½ per cent during the year) and 14 per cent in 1980 (about 11½ per cent during the year). As a result, real personal disposable income is forecast to rise by slightly more than 4 per cent this year and by nearly 3 per cent next year.

The savings ratio is expected to rise gradually as a result of growth in real incomes (as wages rise faster than prices), the acceleration in the rate of inflation and a reduction in the rate of increase of personal credit.

Consequently, the volume of consumer spending is projected to increase by a little over 4 per cent in 1979 and by about 2 per cent in 1980.

The volume of manufacturing investment is projected to rise by about 1 per cent this year and to decline by roughly 2 per cent in 1980. That is more pessimistic than suggested by various intentions surveys.

On the external side, the combination of a slowdown in the growth of world trade and a deterioration in price competitiveness—of a tenth during 1979 for manufactured goods—is expected to mean a rise in the volume of total exports of goods and services of less than 1 per cent this year, but of about 3 per cent in 1980.

The institute has, tentatively, taken the view that the surge in exports in the first half of the year was a once-and-for-all phenomenon rather than a change of trend. But the volume of imports of goods and services is still expected to rise by about 7¼ per cent this year and by roughly 1 per cent in 1980.

The delayed response of employment to changes in output means that employment is not expected to begin to fall until the end of this year with a drop of 1 per cent in 1980.

Productivity is expected to be sluggish and, as a result, adult unemployment in the UK is expected to rise from about 1.26m at the end of last year to 1.35m at the end of 1979, but with a sharper jump during 1980 to over 1.6m by the end of next year.

The institute expects a further deterioration in the company sector's financial deficit and this is likely to lead to continued strong demand for bank credit.

With little or no net official intervention in the foreign exchange markets, the growth of sterling M3 is expected to be kept within the target range, while at the same time permitting a limited reduction in interest rates. The Treasury Bill rate may fall to about 12 per cent by the end of this year.

SUMMARY OF FORECAST
(May projections in brackets)

	Real Gross Domestic Product (per cent change, year/year, 1975 prices)	Real personal disposable income (per cent change, year/year)	Unemployment (fourth quarter m)	Money supply (per cent change in sterling M3, fiscal years)	Consumer prices (per cent change, year/year)	Current account balance (year, £bn)	Public sector borrowing requirement (fiscal year, £bn)
1978	3.1	6.5	1.28	12	8.5	0.4	8.2
1979	0.5 (1.6)	4.1 (2.9)	1.33 (1.49)	11 (11)	12.7 (10.5)	−1.7 (1.9)	8.2 (8.2)
1980	0.5 (2.1)	2.7 (3.3)	1.61 (1.62)	10 (10)	13.8 (10.7)	−0.4 (2.8)	8.8 (8.9)

PUBLIC SECTOR BORROWING AND MONEY SUPPLY
Financial years £m

	Public sector borrowing requirement	Sales of public debt to non-bank private sector	Change in currency	External financing of public sector	Bank lending to public sector	Bank lending to private sector	Bank lending overseas	Domestic credit expansion	Foreign currency finance	Bank's non-deposit liabilities (net)	Change in money stock (sterling M3)
1977/78	5,555	6,633	1,165	−4,282	2,039	3,710	1,135	3,771	1,413	409	6,232
1978/79	9,235	8,624	1,173	938	−1,510	6,383	335	7,319	146	944	5,290
Forecast 1979/80	8,800	8,500	1,100	−500	−300	6,000	400	6,700	500	1,000	5,700

Sources: Financial Statistics and National Institute estimates

Gloom over oil prices 'excessive'

OIL EXPORTERS' SURPLUSES IN NOMINAL AND REAL TERMS, 1973-80
U.S.$bn.

	1973	1974	1975	1976	1977	1978	1979	1980
							(forecasts)	
Current prices								
Exports	42	125	116	140	153	149	207	254
Current surplus	1	61	38	40	33	12	45	59
Cumulative current surplus	1	62	100	140	173	185	230	289
1975 prices*								
Exports	58	140	116	139	140	119	150	166
Current surplus	1	68	38	40	30	10	33	39
Cumulative current surplus	1	69	100	139	159	148	167	189

* Figures deflated by the unit value index for exports of manufactures in the year in question.

THE GLOOM over the recent increase in oil prices seems rather excessive, says the institute in its discussion of prospects for the world economy.

World output of oil was probably about 5 per cent higher in the first half of 1979 than in the same period last year, which was well in excess of the growth in world consumption.

"It looks as though local shortages must have been due to difficulties in getting the right kind of oil to the right place after the disruption of Iranian supplies."

The institute says that, taking into account rising UK production, the total volume of net oil imports into OECD countries may be only 1 per cent higher this year than last, and revert to the 1978 level next year.

"Against this background of supply and demand, the extent of the rise in OPEC prices may seem surprising even in terms of a depreciating dollar."

The institute assumes that OPEC prices will be unchanged for a year but will rise by about 10 per cent next July.

On this basis the average price in dollar terms will be about 40 per cent higher this year than last, with a further 20 per cent rise next year.

The 1978 surplus of OECD countries is expected to be transformed into a deficit of $16bn (£7.1bn) this year and $18bn in 1980. At the same time, the OPEC surplus is forecast to jump from $12bn in 1978 to $45bn this year and $59bn in 1980.

In the two years taken together, the OPEC surplus may not be much bigger at current prices than it was on aggregate in 1974 and 1975, and at constant prices it should be much smaller.

Meanwhile, the 1978 deficit of $21bn for the developing countries is expected to rise to $31bn this year and $42bn in 1980.

Mainly oil price rises, the institute's forecast of the growth in output in the OECD area has been reduced since May from 3½ to 3 per cent for this year and from 3 to 2½ per cent for 1980.

The rise in consumer prices in OECD countries, year on year, now seems likely to be about 10 per cent in 1979 and much the same in 1980.

"These figures compare with 7.9 per cent for 1978, which suggests that, even without the increase in oil prices, there has probably been an acceleration."

Industrial materials prices in dollars are expected to average about 24 per cent more this year than last, and to be a further 9 per cent higher in 1980. In both years, the rise may be slightly greater for metals than for the agricultural commodities.

OECD countries' terms of trade are therefore forecast to worsen in aggregate by about 4 per cent this year, with little further change in 1980. The deterioration will be most marked for Japan.

The volume of world trade is expected to increase by 6 per cent in 1979, with no more than a moderate slowing down in 1980.

National Institute Economic Review, No. 89, August, 1979. Price £4.00 for single issue from 2, Dean Trench Street, Smith Square, London SW1P 3HE.

Winning market shares

THE DIVERSIFICATION of manufacturing activity by the biggest companies may have increased the level of competition, suggests an article in the review.

In little more than 20 years the share of the largest companies in manufacturing output in the UK nearly doubled from 22 per cent in 1949 to 41 per cent by 1972.

Important features of this increase have been the enormous growth in the number of separate plantse operated by these companies—the average number went up from 27 to 72 between 1958 and 1972—and the related spread of their interests into practically every sector of the economy.

The article says that it has been suggested that large diversifying companies may be able to use cross-subsidisation to win large market shares at the expense of more specialised rivals.

On this view, their overall size and financial strength would allow them to undercut or outspend rivals in the short run in order to guarantee their long-run position. Some writers have suggested that industries of low concentration may be specially vulnerable to such behaviour.

However, "we found no correlation between the level of industry concentration and degree of penetration by large 'outside' firms. Diversifying firms were equally frequent in industries of low and high concentration."

There is some evidence from the U.S. to show that, on the whole, diversifying companies tend to encroach on the share of the market leaders in the more heavily concentrated industries.

There is also evidence that, in the UK, entry by large companies may improve the competitive performance of manufacturing industries. "In a cross-section analysis of 85 industries for 1972 we found an inverse relationship between profit margins and such entry."

Tackling rate of inflation

PRODUCTIVITY GROWTH is the main influence on the rate of increase in real earnings, according to the review, which suggests two keynotes in reducing the rate of inflation. These are:

- Whatever the absolute levels of wage and price inflation, the excess growth of money earnings over prices (the growth of real wages) cannot, except for limited periods, differ much from the underlying growth of productivity.
- To have a significant impact on the rate of price inflation, a policy must, directly or indirectly, influence the rate of increase of money income from employment.

The trend in productivity for the UK economy in the two decades before 1973 was about 2 to 3 per cent. In the last five years it seems to have fallen and it is uncertain how it may perform in the next five or 10 years.

However, says the review, few economists think it prudent to estimate more than 3 per cent a year, and many opt for a lower figure.

"It follows that whatever actual policies are adopted to counter inflation, if we wish to bring the annual rate of price increases over a period of years within the range of 3 to 5 per cent then, somehow or other, the annual rise in money earnings must be brought within the range of 4 to 8 per cent, depending on the degree of success in restoring productivity growth. This is inescapable."

The long lags before cuts in money wage increases are connected with a reduction in unemployment and higher real incomes make it difficult to persuade negotiators that in the long-run they will be better off with small rather than large increases in money earnings.

This fact is an obstacle to any attempt to reduce the rate of inflation, whether by wage and price controls or by fixing money supply targets.

Management Information Systems Development

Probably under 30 **c. £10,000 + Bonus**

It is as a result of significant recent growth in its various international operations, that our client, currently earning profits approaching £40 million, has asked us to fill a newly-created appointment to be based in Central London.

The main objectives are threefold: firstly, to improve both the methods of transmission and the relevance of the management information package; secondly, to develop the comprehensiveness of that package; and thirdly, to ensure that the senior executives throughout the world understand its purpose and derive the full benefit from it.

The essential requirements are a formal qualification (ACA, ACMA or ACCA), enough commercial experience to understand the businesses right down to their manufacturing roots (likely age is therefore around 30), and a willingness to develop the function from scratch. This will involve some overseas travel and the recruitment of a supporting team as soon as practicable.

Interested candidates should send a full c.v., clearly stating contact telephone numbers, to Peter Wilson, F.C.A., Management Appointments Limited (Recruitment Consultants), Albemarle House, 1 Albemarle Street, London W.1. Tel: 01-499 4879.

Management Appointments Limited

Senior Analyst

To join our European Headquarter Management Information Systems staff, located on the door step of Munich, Germany.

As Senior Analyst, the successful candidate will be responsible for the introduction and expansion of information systems in the financial and marketing areas, to support our fast growing European operation. These will be implemented on our own leading edge hardware and latest software and communications technology.

To qualify for this challenging position the candidate must have 5 years of direct systems analysis and design experience and a working knowledge of financial control and reporting systems. Good communications ability is required since this position interfaces directly with senior management levels.

The salary offered will be commensurate with the responsibility of the position. Excellent advancement opportunity is provided.

Applications in writing to:
Adelheid Bartels, Personnel Manager,
National Semiconductor GmbH,
8080 Fuerstenfeldbruck, Industriestrasse 10, West Germany.

NATIONAL

Charles Barker Confidential Reply Service

Please send full career details and list separately companies to which we should not forward your reply. Write the reference number on the envelope and post to our London office, 30 Farringdon Street, London EC4A 4EA.

Our Client, a major international group, with headquarters in Middlesex, is amongst the world's leaders in a high technology industry, and possesses a reputation for professional management using modern accounting techniques. These vacancies offer excellent opportunities for qualified accountants to develop within such an environment.

Management Accountant c£8,500

This post carries responsibility for the accounting function of a subsidiary company involved in office machinery. Reporting to the group accountant and in regular contact with senior management, the successful candidate will manage a department producing monthly management reports, statutory accounts, operating budgets and forecasts. In addition, there will be involvement in the design and implementation of new systems. While computer experience would be an advantage, ambition, self motivation and the ability to work to stringent deadlines are essential.

Management Accountant-Manufacturing c£8,500

With the expansion of manufacturing in the chemical and allied industry our Client is also seeking a management/cost accountant who has in-depth knowledge and experience of costing systems including computerised applications. Main responsibilities are to advise on, co-ordinate and develop product costing systems for existing and new production sites throughout the U.K. As well as preparation of production management information, this post involves production of manufacturing budgets and reporting on trading activities. A flexible and forward looking approach is essential.

The benefits package is of the standard expected from a major company and includes generous relocation expenses. The posts are open to both men and women.

Reference 1575

£6,000 accountancy appointments £9,000

These advertisements appeared in the Financial Times on 28th August, 1979

Job Title	Salary	Location	Advertiser
New Business Development	£9,000 neg	—	Personnel Resources
Financial Controller	£9,000	South Essex	Personnel Resources
Accountant	—	—	Box A.6881
Newly Qualified Accountants	£7,000 + Mortgage Sub	City	Central Trustee Savings Bank
Group Assistant Accountant	—	Watford	Godfrey Davis Ltd
Accountant	£8,000 + Car	Surrey	IPS Group

For the full text of the advertisement please see the Financial Times of that date or telephone Sally Stanley on 01-248 5597.

Chief Accountant

CAPITAL GOODS MANUFACTURE

c.£10,000 pa + car

Our client is an international leader in its specialised medium sized capital machinery manufacturing business. It has plans to double its turnover in real terms in the next few years because of new products about to be launched. It wishes to recruit a Chief Accountant to run its Administration, Accounting and Management Reporting Systems, some of which are computerised and all making an effective contribution to management.

We are looking for a qualified Accountant with industrial experience since qualifying, ideally in the capital goods industry, and probably not under age 35, with the maturity to contribute in the general management of the business. The potential for the position in this expanding company in the North West is excellent.

Apply for an application form, quoting ref. C.230C. to
ERP International Recruitment Limited, Clemence House,
St. Werburgh Street, Chester CH1 2DY.
Telephone 0244-317886 (ansafone after 5.00 pm).

Offices in London, Chester, Jeddah, Amsterdam, Brussels, Milan and Paris.

ERP INTERNATIONAL

Computer/Business Graduate

For International Corporate Planning

£8-10,000 + Bonus

Our client is a major U.K. public company with extensive international operations and sales in excess of £1 billion.

The Corporate Planning function, which answers directly to the Main Board, plays a vital part in the establishment and achievement of business and financial objectives, and uses sophisticated time-sharing computer facilities with access by both U.K. and overseas operating units.

Following a promotion to an overseas associate, we have been retained to recruit a graduate, probably around 30, with in-depth computer modelling experience and a training, preferably with commercial experience, in business and financial analysis.

The main purpose of the appointment, which is based at Group headquarters in Central London, is to continue the development of the application of computer modelling to long term planning, and to *adapt the systems to the different requirements of* the operating units.

Interested candidates should send a full c.v., clearly stating contact telephone numbers, to Peter Wilson, F.C.A., Management Appointments Limited (Recruitment Consultants), Albemarle House, 1 Albemarle Street, London W.1. Tel: 01-499 4879.

Management Appointments Limited

هكذا من الأصل

International Commercial Managers

Pricing and Contract Evaluation

Salaries circa £8500+car

Our client, a £multi-million engineering group, is seeking to appoint two Commercial Managers with considerable potential.

Working with Sales and Marketing, the Commercial Managers have a significant pricing role to play in negotiating very high value sales of capital equipment. *The Managers will have specific responsibility for major regional markets abroad.*

We would like to discuss these key roles with men/women with relevant experience in this area. These are very much jobs at the sharp-end, as a result the type of person appointed is of critical importance.

It is likely that you will have a financial training in accounting or business management. We are more interested, however, in whether you have true business acumen, plus the strength of character and resilience called for. We will also be looking for high analytical and communicating skills.

A further point to be stressed is that our client is looking for people who are able to assume much bigger roles in the future – these are the jobs which put the holders on an escalator to the top.

These appointments are highly confidential and no information will be passed to our client until candidates have been fully briefed.

To apply, please send a detailed curriculum vitae to Julian Cave, Universal McCann Ltd, 18 Howland Street, London W1A 1AT, quoting reference ICM/20

Universal McCann

Offshore Project Manager

Southern England

negotiable over £20,000 and car

Our client is a major petrochemical contractor with worldwide interests and a 100% commitment in the offshore industry.

They seek an experienced, qualified Project Manager who has seen through at least one important offshore project with responsibility for design, engineering, procurement and construction activities.

The task is a large one. To manage a group of dedicated specialists in the profitable completion of worldwide offshore projects of all kinds.

Salary and conditions are no bar for the right candidate.

Applications are invited from men and women accompanied by a curriculum vitae quoting reference 3322 FT

Brian Saltzer

West One Selection
Recruitment Selection Consultants
61 Berners Street, London W1P 3AE 01-636 8791

BANKING APPOINTMENT
CORPORATE LENDING OFFICER

Age 27/34. c. £8,000/£9,000 + perks. Required by leading international bank in City. Could lead to possible promotion as head of team of lending officers. Some travel in UK. Must have previous experience as lending officer and preferably U.S. bank formal credit training. For appointment please ring:

01-283 6022/6023
VPN Employment

Thinking of changing your job? (But not quite sure?)

For one reason or another, many of our clients think they should make a change, but are not quite sure. Not sure of *themselves, of their potential, of their "marketability"* or of their ultimate goal.

We are a group of highly qualified specialists who guide senior people towards a new direction in their careers, towards optimum personal and financial rewards. If you're a senior executive or professional person and you're not quite sure, one of our professional Career Advisers will be happy to discuss the matter with you, confidentially and without charge or obligation.

Telephone us on 01-637 2298 now. CHUSID help you to help yourself to a new way of life.

FREDERICK CHUSID & COMPANY LTD.
The Consultants in Executive Evaluation and Career Advancement
London W.1. Phone 01-637 2298
Paris: 11h Av des Champs Elysees 75008. Phone 574-25-20.
We are not an Employment Agency

HANDBAG AND LUGGAGE BUYER

We wish to recruit a person experienced in the buying of handbags and luggage who will be completely responsible for this area of our business. The successful applicant should have well-established contacts with manufacturers throughout the Far East and will also be responsible for marketing to outlets in the U.K.

This is an executive position and the rewards will be commensurate with responsibility involved. Applications in writing should give details of all relevant experience and be addressed to the Managing Director, Box A.6882, Financial Times, 10, Cannon Street, EC4P 4BY.

Chartered Accountant

Stockbroking – Bristol

Stock Beech and Co is an expanding firm of Stockbrokers with offices in Bristol, Birmingham and London. An opportunity has arisen for a qualified Accountant to play a key role, initially in the financial control of the company.

The man or woman appointed is likely to be a Chartered Accountant, ideally under 30 years of age with previous experience of auditing stockbrokers' accounts. The position will appeal to someone who is looking for a move offering wide ranging responsibilities and prospects for further advancement.

Starting salary is negotiable and there is a non-contributory pension scheme in operation.

Please write with full details to J. Parkhouse, Stock Beech & Co, The Bristol and West Building, Broad Quay, Bristol BS1 4DD.

Stock Beech & Co
Members of the Stock Exchange

INVESTMENT ANALYSTS

Barclays Bank has vacancies for Investment Analysts to help with the management of their Pension Fund. The successful candidates will join a team of Equity Investment Analysts with opportunities in both the U.K. and Overseas fields.

Candidates are expected to be in their mid-twenties, to have a degree or professional qualification and to have had two years' practical experience in investment or a related field.

The salary will depend upon previous experience, but will not be less than £7,700 p.a. (including London Allowance and London Salary Supplement).

The usual Bank benefits will also apply, including a non-contributory pension scheme, profit sharing scheme and an annual bonus.

Applications, including brief career details, should be sent to:

Mr. G. E. Hall,
Investment Manager,
Barclays Bank Limited,
54 Lombard Street,
London EC3P 3AH.

BARCLAYS

TECHNICAL SALES MANAGER

required by overseas company with head office six branches specialising in the sale of plan copying and photocopying machines and supplies, litho-offset printing machines and soil-testing equipment.

Age group 25 to 35.

Must have proven qualities of leadership, sales flair, and organisational ability, drive and an infinite capacity for hard work.

Will be responsible for all aspects of marketing including preparation of sales records, budgets, costing, indenting, stock and credit control, training and programming of sales representatives and customer dealing.

Starting salary equivalent £15,000 reviewed annually, supplemented by annual bonus of up to 20% of salary. Reasonable taxation. Home remittances permitted. Fringe benefits include fully furnished accommodation, regular home leave with full pay, allowances for children's education in the U.K. and holiday travel.

Apply to
MESSRS. READS, DRURY THEOBALD & CO. (C/K)
Leith House, 47 Gresham Street
London EC2V 7ET

PICTURE SPECIALIST

FOR INTERNATIONAL FINE ART AUCTIONEERS

Based in London

An experienced cataloguer and valuer is required with an extensive knowledge of paintings. The successful candidate will be responsible for running the Picture Department and must therefore be competent to deal with clients and also cope with administrative matters. Rostrum experience is desirable, but not essential. A certain amount of travel in the UK and abroad will be necessary.

This position offers excellent opportunities and a generous salary commensurate with the responsibilities involved.

Candidates should apply in writing with a Curriculum Vitae to Box No. A.6883, Financial Times, 10 Cannon Street, EC4P 4BY.

INDEPENDENT TELEVISION

ITCA

GENERAL SECRETARY

The Independent Television Companies Association requires a successor for the General Secretary who is due to retire in April 1980.

The Association is a service organisation. Its main function is to provide a forum for discussion and a channel for joint action by the Companies on matters of common concern. The General Secretary is the chief officer of the Association responsible to the Council of ITCA for its administration.

The work of the Association embraces Programme Planning, Labour Relations and Advertising Copy Clearance, for all of which there are individual secretariats. There is a staff of 80.

The post calls for a man or woman with proven administrative ability and skill in initiating and co-ordinating projects and in implementing policy decisons made by Council. The work is varied and demanding and involves regular consultation within and outside the industry. The General Secretary needs to be able to interpret the collective views of the 15 Companies, draft policy papers, select and train staff as necessary, control expenditure and ensure that the Association meets the demands placed upon it.

Salary not less than £16,000 per annum commensurate with ability and experience; company car and contributory pension scheme.

Applications in writing with typed c.v., giving details of education, experience and current salary, should be sent to:

The Chairman of Council (GS)
Independent Television Companies Association Ltd.
Knighton House, 52-66 Mortimer Street
London W1N 8AN
marked "Personal & Confidential."

Loan Syndications

A prime International Merchant Bank is expanding its business in this field and, as a consequence, now requires a resourceful banker to join a small team as an Assistant Syndications Manager.

Applications are invited from suitably qualified executives, aged 27 to 32, with a sound general banking background and extensive experience of wholesale corporate lending in both international and domestic markets. A knowledge of syndicated lending is desirable.

The working atmosphere is one of efficient but informal decision making with much reliance placed on personal initiative. It is vital, therefore, that you are ambitious, with proven ability in executing transactions.

A competitive salary will be offered which, together with the usual range of substantial banking benefits, will be attractive to executives of high calibre.

Please write in confidence giving details of experience, qualifications, age and salary to Position Number BSL 7461, Austin Knight Limited, London W1A 1DS.

Applications are forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Position Number Supervisor.

AK ADVERTISING

Top Finance/ Administration Director

Preferably with Retail Experience

A top-level vacancy has recently arisen for a FINANCE/ADMINISTRATION DIRECTOR in charge of our company's planning, internal administration and systems analysis. Applications are welcomed from candidates with relevant experience and a proven track record in all these fields. Experience of the retail trade would also be a definite advantage. This is an important and demanding position and the salary offered is fully commensurate with its seniority (negotiable to £11,000 p.a.). The successful applicant can also expect a company car and excellent fringe benefits, including a generous company pension scheme.

Please write in confidence, giving full details of your age, qualifications, career history and salary progression to date, stating the names of any organisation to whom your letter may not be sent, to: T. G. West, Managing Director (Ref. 472), Whites Recruitment Ltd., 72 Fleet Street, London EC4Y 1JS.

FINANCE or INSURANCE

A career in either could have provided you with the right qualifications for one of the positions now open with us.

We are the market leaders in credit related insurance. We are embarking on an extensive programme of expansion to ensure that our growth of the 70's continues into the 80's.

Long-range product planning, new product introduction and regional management are areas of expansion requiring people able to work with the minimum of supervision. The ability to see opportunities, and work hard to make them successful are the hallmarks of our staff. Our expansion means that we need more people with the same attitude and capability. If you have a background of finance or insurance, are a "self starter" and looking for a position with a company acknowledged as the leader, then you should write to us.

All the posts carry a generous salary commensurate with the importance of the task, a Granada L or similar car, all business expenses, a pension scheme and house purchase assistance.

Send full career details to:

Mr C Elswood
Financial Assurance Company Limited
Bowril House
Enfield Middx

HARLOW MEYER & COMPANY

CURRENCY DEPOSIT BROKERS
FOREIGN EXCHANGE AND

requires TRAINEES in its dealing room — aged 17-22. Experience not necessary but lively personality and active mind essential.

Application with full background details to

The Secretary,
HARLOW MEYER & CO.
Adelaide House, London Bridge, London EC4R 9EQ

INVESTMENT ANALYST

ELECTRICAL SECTOR

Age 24-32 **up to £12,000**

An opportunity arises in a major firm of stockbrokers for an electrical analyst. The ideal candidate, probably a graduate, will have gained his/her experience as an analyst in the electrical sector. He or she will:

★ Be articulate and capable of discussing investment ideas with institutional investors.

★ Have the intellectual ability to produce investment research material of the highest standard expected by our client.

The position offers a first-class career opportunity with a firm which is a leading name in the investment world.

Career plan
PERSONNEL CONSULTANTS

Please apply:
Jock Coutts
Chichester House
Chichester Rents
London WC2A 1EG
01-242 5775

INTERNAL AUDITOR

Due to promotion at our plant in Salford, Manchester, we now require a highly motivated man or woman as Internal Auditor.

Reporting directly to the Senior Internal Auditor in our London Head Office, your main functions will be to work closely with external auditors and assist with their audit programmes, and to complete a programme designed to ensure rotational attesting in accordance with normal company and ICA procedures.

Acting in an advisory and executive role, the job offers plenty of scope and variety, and the opportunity to undertake various ad-hoc assignments of an operational or financial/administrative nature.

We'd like you to be aged under 30, be fully qualified ACA/ACCA and have the ability to communicate effectively at all levels. Ideally you'll also have had experience of dealing with large company audits and have some knowledge of E.D.P.

Starting salary will be highly attractive and career prospects with this internationally known manufacturer of toiletries and household products are excellent.

Company benefits include pension and life assurance schemes and free dental treatment.

Manchesrer, the social and cultural centre of the North West, is an excellent city in which to both live and work. Housing and educational amenities are good and there are good motorway and rail links to the remainder of the U.K.

Applications in writing please, to Mr. D. H. Casson, Senior Personnel Officer, Colgate-Palmolive Ltd., Ordsall Lane, Salford, Manchester M5 3FS.

Colgate Palmolive Ltd

Banking

CHIEF DEALER

Middle East

Our client is one of the major banks in the region. It now wishes to appoint a Dealer in Foreign Exchange and Currency Deposits to lead its Head Office Dealing team and report to the Foreign Exchange Manager.

Applicants should have at least five years all round dealing experience at a senior level.

An attractive salary would be negotiated, in addition to which housing, car, leave air fares, medical cover and sterling mortgage facilities would be provided. The contract would be for two years, renewable thereafter.

Please send a comprehensive career résumé, including salary history, quoting ref. 1004/FT, to W. L. Tait.

Touche Ross & Co. Management Consultants
4 London Wall Buildings,
London, EC2M 5UJ.
Tel: 01-588 6644.

TREASURER DESIGNATE

Middle East

A leading international bank, with its Head Office in the Middle East, requires an Assistant Treasurer.

The successful candidate will advise the General Management on the bank's policy for asset management and market operations, and monitor the implementation of this policy.

Initially, a two-year contract will be offered as Assistant Treasurer. Successful performance would lead to appointment as Treasurer.

Salary is negotiable but will be substantial. An excellent benefits package will be provided and the bank would be prepared to take over an existing U.K. mortgage.

Please send comprehensive career résumé, including salary history, quoting ref. 1003/FT, to A. R. Moore

Touche Ross & Co. Management Consultants
55 New Oxford Street,
London, WC1A 1BX.
Tel: 01-836 6600.

C&L

Peterborough **c £20,000**

MANAGEMENT SERVICES

Thomas Cook, the international travel and banking group and a wholly owned subsidiary of Midland Bank Limited, have decided to create a new top management appointment to plan and direct the co-ordinated worldwide use of computers, communications and related technologies geared specifically to the fulfilment of the corporate business objectives of the group. Data processing installations, which are already well established in the major countries in which the group operates, will be within the responsibility of the new appointee but the major emphasis of the role will be in respect of future strategies.

The appointee will initially report to a Group Board Director and, for the candidate with the right combination of experience, vision and personal stature, prospects of advancement are excellent.

Resumes including a daytime telephone number to E. J. Robins, Executive Selection Division, Ref. R586.

COOPERS & LYBRAND ASSOCIATES LTD.
Management Consultants,
Shelly House, Noble Street, London, EC2V 7DQ.

International Pricing/Contract Evaluation

Salary circa £14,000+car

Our client, a major £multi-million engineering group, is making a real impact in international markets through its own manufacturing facilities abroad, joint ventures, licencing agreements and sales of "know-how".

A key role needs to be asumed by a commercially aware finance man/woman of some real brilliance. The job that needs to be filled is that of International Commercial Manager, responsible for a team of regional commercial managers. This is a role which could take the holder to the highest echelons of British management.

This advertisement is addressed to a handful of true high-flyers. The specification for this job is therefore extremely tough. A Financial/Business qualification is not enough, and, for that reason, we are concentrating on the personal characteristics we will wish to evaluate. The ability to take decisions, often in the field, and live with them afterwards, is critical. As a result a highly developed business sense is called for, plus the strength of character to live with real responsibility. Verbal and communicating skills are of paramount importance, plus the intellectual strength to enable you to cope with complex issues and respond quickly to situations.

This appointment is highly confidential and no information will be passed to our client until candidates have been fully briefed.

To apply, please send a detailed curriculum vitae to Julian Cave, Universal McCann Ltd. 18 Howland Street, London W1A 1AT, quoting reference PCE/10

Universal McCann

Investment Planning Analyst

to join the investment team of Alcan Foils Limited, Wembley, a member of the international Alcan group.

Reporting to the Chief Financial Officer, the successful candidate will be involved in the costing and evaluation of capital investment proposals and projects, and the analysis and appraisal of market data. The investment team take a multi-disciplinary approach to problem solving and, therefore, the ability to work at all levels and across functional boundaries is important.

The successful candidate is likely to have a university degree or equivalent and a high degree of numeracy. Desirable attributes will include knowledge of aspects of financial analysis and/or production costing; lucidity in report writing and presentations; and the ability readily to establish good working relationships.

Salary will be of interest to candidates currently earning at least £6000. Excellent benefits include assistance with relocation expenses, where appropriate. In the longer term, opportunities for further career growth with Alcan Foils and the Alcan Group are significant.

For further details/application form, please contact: P. J. Jeffrey, Personnel Manager Alcan Foils Limited, First Way, Wembley, Middlesex. Tel: 01-902 6011.

ALCAN FOILS
ALCAN

BUSINESS DEVELOPMENT

An International Bank is seeking a senior business developer to assume responsibility for promoting the Bank's services in Africa and parts of the Middle East. The successful candidate should have proven expertise in business development and a working knowledge of one of the above mentioned areas. Fluency in French is essential.

Age: 25/40 Salary: five figures negotiable plus a generous benefits package

SENIOR INTERNAL AUDITOR

Required by a major North American Bank. The successful applicant should be qualified or part qualified A.C.A. Prospects for future advancement are excellent.

Age: 21/30 Salary: up to £8,000

FOREIGN EXCHANGE DEALER

An acknowledged force in the Forex market, this International Bank requires an experienced Senior Dealer to take charge of its exchange dealing activities.

Age: 28/35 Salary: Circa £12,000

CREDIT ANALYSTS

Department Head, three positions up to £10,500. Two years' experience. Six positions up to £7,500.

These positions are open to both male and female applicants

BSB Banking Appointments
115-117 Cannon Street, London EC4N 5AX Telephone 01-623 7317 & 01-623 9161
Recruitment Consultants

Jonathan Wren · Banking Appointments
The personnel consultancy dealing exclusively with the banking profession

FOREIGN EXCHANGE DEALER

The long-established London branch of a major overseas bank seeks a self-motivated dealer in his/her mid-to-late twenties to join its expanding dealing team.

Applicants should possess at least three years' experience of active dealing in a major currency.

Salary will be competitive together with usual fringe benefits.

Please telephone in confidence, or write enclosing a Curriculum Vitae to DAVID GROVE

First Floor—entrance New Street
170 Bishopsgate London EC2M 4LX 01-623 1266

Chief Executive

Leisure Goods

c. £15,000 + car - London base

Within the complex web of one of the country's largest groups, an autonomous and successful company has diversified over the years into several areas of the leisure goods industry: manufacturing, importing, marketing and merchanting. These interests have now been combined to create a geographically spread unit of some 300 people, turning over about £10 million. The task of thinking both tactically and strategically, improving financial control and motivating the management teams calls for an unusually talented chief executive. It's precisely the sort of job which can't be "searched" for our candidate specification is incredibly wide. One element is essential - genuine calibre: one is probable - an age around 40. Then the prejudices stop. The right candidate could come from any industry sector, could have based a career on any of the business disciplines. Possibly, broad-ranging general management experience would offer an advantage, but the younger applicant who impresses us with genuine business acumen and managerial talent could well be offered a "first command." We realise we are inviting a massive response which will probably lead to a mammoth interview programme - but at the end of the day, very few applicants will have the real calibre we are seeking! Please write with full career details to Terry Ward, quoting reference 997/TRW.

Applications, which may be from male or female candidates, will be treated in confidence. As we promise our clients that we will move quickly, please give telephone numbers (ideally both home and work) at which we can contact you.

BROOK STREET EXECUTIVE RESOURCES LIMITED

47 Davies Street, London W1Y 2LN. Telephone 01-499 7382

The Executive Selection Company of the BROOK STREET Employment Service Group

Managing Director

Electronic Control Equipment

Midlands **Circa £20,000**

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CORNING

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SALARY £8,000 + CAR

Age: 25-35 Ref: L1296

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I.P.S. GROUP
(Employment Consultants)
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N.P.S. Lilley, Ref: 22151/FT.

Male or female candidates should telephone in confidence for a Personal History Form to:

LONDON: 01-734 6852, *Sutherland House, 5/6 Argyll Street, W1E 6EZ.*

Hoggett Bowers
Executive Selection Consultants
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c. 25 c. £8,000

Our client is a very substantial British consumer goods manufacturer, retailer and wholesaler in the UK and overseas. The opportunity arises to join the small London headquarters financial team and participate at an early age in the overall financial control of one of the leading businesses of its kind in the world.

Applications are invited from qualified accountants, in their mid 20s, preferably with some post-qualifying experience in commerce or industry. Candidates must welcome the idea of working in a small informal group, and be attracted by the client's philosophy of task sharing and job rotation.

Starting salary will be around £8,000 with excellent benefits. Central London location. Good career development prospects within this diverse organisation.

Please reply, in strict confidence, to Peter Bingham & Partners, Personnel Consultants, 9 Curzon Street, London W1Y 2FL, giving full career and personal details.

Peter Bingham & Partners

Treasury Analyst

Acquisitions

Central London
Salary: Neg. to £11,000 p.a.

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This is a new key appointment, reporting to the Acquisitions Manager and responsible for the investigation and appraisal of a variety of acquisition proposals and for providing professional advice and assistance on other corporate and capital matters.

You will be a Chartered Accountant who can demonstrate a keen commercial acumen, well developed analytical skills and an ability to communicate effectively at all levels, both orally and in writing. Previous experience of investment analysis or investigations would be a distinct advantage, although a first class track record in another branch of accountancy is acceptable.

There will be very real opportunities for career development within the Group for the successful man or woman. The starting salary is negotiable to around £11,000 p.a. and there are the other benefits offered by a major international employer.

Please write in confidence providing a full but concise curriculum vitae and stating the name of any organisation to whom your letter may not be sent, to:

K. W. Canston, (Ref. 475), Director.

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72 Fleet Street, London EC4Y 1JS.
Offices: Bristol, Glasgow, Leeds, London. Manchester and Wolverhampton.

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The present job-holder is moving into line management in a senior position and it is hoped that after two or three years the new recruit would also move into line management.

The position offers exceptional breadth of interest and opportunity for development.

Salary will be according to experience but attractive to the right person. The usual bank fringe benefits will also be available.

Please apply in writing to J. R. Sclater, Managing Director. Nordic Bank Limited, 41/43 Mincing Lane, London EC3R 7SP.

Financial Controller

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A new company has been created by a well known multi-national group who market and distribute fast moving consumer products in the UK marketplace. *The turnover for the first trading year is anticipated to be in the region of £7m.*

Reporting to the Director and General Manager and as the most senior financial member of the management team, the appointee will be responsible for the total accounting, secretarial and administrative functions including monthly trading accounts, budgets, involvement of foreign exchange activities, cash flow management and stock control.

On behalf of our clients, we would like to hear from ambitious commercially orientated Accountants aged 28-40 seeking a **top** financial management position in a high growth environment.

A Board appointment is anticipated inside 3 years.

An attractive salary and benefit package is offered which will include a company car and annual bonus.

Please apply in own handwriting giving brief career details and quoting Ref. 2605.

Lloyd Chapman Associates
123, New Bond Street, London W1Y 0HR 01-499 7761

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MANAGER OF OPERATIONS/CONTRACT ADMINISTRATION

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EDUCATION:

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Extensive background in vessel chartering with a sound working knowledge of the special requirements relating to the distribution and transportation of crude oil and refined products, particularly, vessel suitability and nomination requirements.

Applicants should possess a high level of management skills and be capable of establishing and administering a complete department with a highly active oil trading company.

Please submit resumé, including salary history and business/personal referenc, under confidential cover to:

DIRECTOR — PERSONNEL
COASTAL STATES EUROPE
36 GROSVENOR STREET
LONDON W1X 9FG

Finance Director

to £15,000 + car

The company, which has a turnover of around £10 million, is engaged in the engineering field and is part of a well-established British manufacturing group. It is currently seeking a Finance Director who will join the Board and take control of a department of some 20 people. He or she will be responsible for the provision of the complete range of accounting services with emphasis on management reporting systems. Candidates, ideally aged 38-45, must be qualified accountants with a successful track record in an engineering environment, preferably the metals industry. They should have experience of planning, budgeting and the provision of accurate costing and estimating information. A knowledge of computer-based systems is also desirable. Starting salary is negotiable in the range of £12,000-£15,000 plus car and other fringe benefits. The location is South London.

Ref: AA41/6997/FT.

Initial interviews are conducted by PA Consultants. No details are divulged to clients without prior permission. Please send brief career details or write for an application form, quoting the reference number on both your letter and envelope, and advise us if you have recently made any other applications to PA Personnel Services.

PA Personnel Services
Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060 Telex: 27874

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RECENTLY QUALIFIED ACCOUNTANT

P.A. TO FINANCE DIRECTOR

Nairobi **£10,000-£13,000 + Benefits**

Our client is a small entrepreneurial group which has established over recent years a successful record of growth and achievement.

Activities are based in Africa although ultimately controlled from the Isle of Man. The successful candidate will spend considerable time travelling to operating locations and will be particularly involved in the development of management information and reporting systems.

Candidates will be qualified accountants aged in their mid-late 20's. They must be self-motivated and have the technical ability and personal presence to contribute effectively to the company's development.

For more detailed information and a personal history form, please contact Robin F. Taylor, B.A., C.A. or Howard Amos, B.A. quoting reference: 2582.

Douglas Llambias Associates Ltd.
Accountancy & Management Recruitment Consultants,
410, Strand, London WC2R 0NS. Tel. 01-836 9501
121, St. Vincent Street, Glasgow G2 5HW. Tel: 041-226 3101
3, Coates Place, Edinburgh EH3 7AA. Tel: 031-225 7744

DLA

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PORTFOLIO MANAGER

An experienced Portfolio Manager required to supervise a group of Pension Fund and private client accounts.

Candidates, male or female, should have considerable previous experience of managing U.K. Pension Fund accounts and also be able to assist on presentations and marketing of pension services. Some knowledge of overseas markets would be of advantage.

An attractive salary is offered together with a comprehensive package of staff benefits (including mortgage assistance).

Write in strictest confidence enclosing a full curriculum vitae to:-

The Personnel Officer,
THE ROYAL TRUST COMPANY OF CANADA
Royal Trust House, 48-50 Cannon Street,
London EC4N 6LD. Tel: 01-236 6044.

هكذا من الأصل

UK NEWS—LABOUR

Printers losing patience, Thomson to be warned

BY ALAN PIKE, LABOUR CORRESPONDENT

LEADERS OF the National Graphical Association (NGA) are to warn the Thomson Organisation that they are losing patience over delays in republishing Times Newspapers because of difficulties with members of another print union.

Mr. Joe Wade, NGA general secretary, has asked to meet Mr. Gordon Brunton, chief executive of Thomson British Holdings, if possible before next week's TUC congress. He wants to express his union's increasing concern about the position.

The NGA's 600 members at Times Newspapers accepted a return-to-work formula agreed between union leaders and management representatives at the beginning of this month.

Under the terms of the formula, employees dismissed after the company suspended publication last November will be reinstated when the proposals have been agreed by all unions.

However, the future of the peace settlement has been plunged into doubt after its rejection by many members of the National Society of Operative Printers, Graphical and Media Personnel (NATSOPA), the union with most members at Times Newspapers.

The NGA leaders plan to tell Mr. Brunton that they want their members reinstated on full pay immediately, regardless of the position with other unions. If the company fails to agree to that, pressure is likely to be exerted in the NGA to withdraw the union's acceptance of the peace formula.

Members of the NATSOPA executive meet today and tomorrow and will examine in detail the reaction of their members to the proposals for republication at Times Newspapers. The executive decided this month against seeking further talks with the company and recommended that its members should accept the formula as the basis for a return to work.

The executive took that stand in spite of known misgivings about the proposals among leaders of NATSOPA chapels (office branches).

Disagreement with NATSOPA is now the principal stumbling block to a resumption of publication at Times Newspapers, and the NGA's restlessness will make the need to find a solution increasingly urgent if the peace initiatives of recent weeks are to succeed.

It is intended that publication of The Times and The Sunday Times should resume within a month of all staff being reinstated, and of the three Times supplements within six weeks.

Vauxhall Mersey plant halted

BY PHILIP BASSETT, LABOUR STAFF

CAR PRODUCTION at Vauxhall Motors' Ellesmere Port plant on Merseyside was halted yesterday by a one-day strike of 3,000 members of the Transport and General Workers' Union over the company's 17 per cent pay offer.

It was called after the company made the offer last week and caused production of about 400 Chevettes to be lost.

Production of components for Ellesmere Port and other plants at Luton and Dunstable was also affected when the works committee, representing the 5,000 members of the Amalgamated Union of Engineering Workers at the plant, called out craftsmen in a similar strike.

Shop stewards at Dunstable representing TGWU, the AUEW and the Electrical and Plumbing Trades Union rejected the pay offer without putting it to any meetings. A stewards' meeting at Luton today, is expected to follow suit.

Further negotiations between the company and union representatives of all 26,000 manual workers are fixed for tomorrow.

Reaction to the offer, one of the first major pay proposals in the new wage round, will be closely watched by Ford Motor workers and other groups which normally set the pace, but whose settlement dates have been moved to later in the round.

Opposition to the offer centres on the conditions relating to performance and working practices, which the company insists upon, though some union officials believe that the company is able to offer more money.

The offer gives cash increases of 13 to 15.2 per cent, which would take top-rate craft workers from £86.80 to £100, and middle-grade production workers from £77.20 to £87.00. Improvements to holiday payments and entitlements raise the value of the offer to about 17 per cent of the pay bill. The union wants 25 per cent rises on basic rates and reduced hours.

BL risks parity pay rises

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

THOUSANDS OF BL Cars workers will today receive rises of up to £8 a week, plus large lump sum payments, in a move which could provoke walk-outs at some plants.

In spite of union opposition, the company plans to implement a new five-grade pay structure to achieve parity of earnings between plants.

Twenty-one factories have met the productivity levels necessary to qualify for the first two of the three parity payments. A production worker at Longbridge, Birmingham, for example, will receive an extra £6.65 a week plus £130 in back pay.

There will be considerable unrest among employees who feel they have been wrongly graded, but the company is prepared to run the risk in order to tidy up the present chaotic wage structure.

Under an appeals procedure agreed with the Confederation of Shipbuilding and Engineering Unions employees, a three-man panel, headed by an independent chairman, will review grievances.

Shop stewards from the Transport and General Workers' Union have already voiced their opposition. Calls to pull out of central negotiations with BL management can be expected when senior stewards from all unions meet in Coventry today to review the position.

Such a militant lead seems unlikely, however. The stewards are expected to allow each plant to decide its own response.

Press operators at Swindon have already protested that they should be in grade II rather than grade III.

Technology query at ITV

By Gareth Griffiths

HOPES OF a breakthrough in the deadlocked ITV dispute rose slightly yesterday when the Association of Cinematograph, Television and Allied Technicians asked the companies for a clarification of their attitude on new technology payments.

The union wants to know if the new technology issue could provide a basis for fresh negotiations to end the 20-day national blackout. The ACTT is puzzled by initial management suggestions that new technology discussions could produce a breakthrough.

Mr. Ronald Carrington, labour relations adviser to the Independent Television Companies Association (ITCA), later denied that they could provide an opportunity for fresh talks.

Mr. Jack O'Connor, ACTT's national officer, asked Mr. Carrington last night for an explanation of the companies' position. He said the ITCA had not raised the question of new technology at pay talks or the meetings held under the auspices of the Advisory, Conciliation and Arbitration Service.

The introduction of new technology was covered by local procedures under the 1978 conditions agreement. Mr. O'Connor said the ACTT negotiating committee would be prepared to meet the companies at any time to discuss the suggestion in an attempt to restore the ITV service.

Plans for Labour newspaper

By Our Labour Correspondent

PRESSURE FOR the TUC to give active consideration to the possibility of establishing a Labour movement newspaper will be mounted at the annual Congress in Blackpool next week.

The idea of such a newspaper is a long-standing one. Calls for consideration to be given to its establishment are contained in resolutions from the Society of Graphical and Allied Trades and the National Union of Journalists.

If Congress decides that the TUC general council should conduct such an investigation it is likely to receive the support of the Transport and General Workers' Union, whose general secretary, Mr. Moss Evans, is a member of the TUC's media group.

Mr. Evans, speaking at the launching in London of a new book on the media, suggested that such a newspaper might be able to raise finance by printing existing trade union journals as supplements.

The TGWU at present spent about £250,000 per year on its journal.

Mr. Evans said that the TGWU would order 2,500 copies of the book—Using the Media, by Denis MacShane, former president of the National Union of Journalists—for use by its full-time and lay officials. The book is intended as a guide to the media for trade unionists, community workers and other pressure groups.

Using the Media, by Denis MacShane, Pluto Press, £2.50 paperback, £7.95 hardback.

Meeting on courts dispute

THE TWO civil service unions representing 600 striking staff at 18 inner London magistrates courts are to meet the employers, the committee of London Magistrates, today.

The Society of Civil and Public Servants and the Civil and Public Services Association met the Advisory, Conciliation and Arbitration Service yesterday for exploratory talks. This followed a meeting between employers and ACAS on Tuesday. ACAS said the meetings had been called at its request and were purely for information.

The strike started on Monday and there have been pickets at all the courts. The unions say court business will stop within a fortnight. The Home Office said last night that the overall effect was patchy.

NO RECOGNITION: The Advisory, Conciliation and Arbitration Service has decided that it would not be justified in recommending recognition of the Banking, Insurance and Finance Union at the Chase Manhattan Bank.

A report by the service, following a recognition application under Section 11 of the Employment Protection Act, showed that only a tenth of the staff wanted their pay and conditions to be determined by collective bargaining.

SPEKE STRIKE: The 120 maintenance men at the Dista Products pharmaceutical plant at Speke, Liverpool, staged a 24-hour unofficial strike yesterday in support of an increase of the 14½ per cent company pay offer.

Redundancy talks start

BY GARETH GRIFFITHS, LABOUR STAFF

BRITISH Shipbuilders started its series of talks yesterday with the Confederation of Shipbuilding and Engineering Unions over 6,000 proposed redundancies.

The corporation has made it clear that, while it is prepared to talk to the unions, it does not intend to alter its position over redundancies and yard closures in the merchant shipbuilding sector. British Shipbuilders has told the CSEU's shipbuilding negotiating committee that industrial action will have an adverse effect on future prospects.

Shop stewards from Scotland also attended the talks, held in Blackpool. Three yards in Scotland are to close: Scotstoun Marine, on the Upper Clyde, Robb Caledon at Dundee, and Cartsdyke, on the Lower Clyde.

The shipbuilding negotiating committee met last night. A meeting to discuss the future of the English yards is to be held tomorrow.

● Swan Hunter shop stewards have imposed an overtime ban at all the group's yards on the Tyne in protest at British Shipbuilders' redundancy plans.

At a stormy mass meeting on Tyneside yesterday, a show-of-hands vote was declared in favour of the overtime ban by Swan Hunter's 10,000 employees.

A company spokesman said that a ban on normal production overtime would not have a great effect. "Sea trials, launches, and commissionings is where it would be felt," he said.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMPONENTS

Rotating light has no moving parts

NEUMANN Communication Systems has a new technique in flashing lamps. Instead of having the conventional rotating light, the lamp head is fitted with three 120 deg. flashing strobes which are electronically fired in sequence, thus giving the effect of a rotating flash. There are no moving parts, and the design ensures controlled supervision of the directional circuit. The lamp can be operated independently, or connected via telephone operation, for example.

Numerous areas of application for this unit include the mining industry, the chemical and petrochemical industries, hazardous or noisy work-places, overhead trains or cranes, and anywhere where a visual warning and alarm signal is needed.

The lamp is fitted in series with an electronic switch, and both connection terminals are housed in a self-locking terminal box. Start-up of the lamp simply requires connection of the control wires to the mains, without recourse to coupling switches, junction boxes or auxiliary assemblies. The circuit can also be monitored for short-circuiting.

Neumann Communication Systems, Lea Industrial Estate, 151 Lower Luton Road, Harpenden, Herts. AL5 5EQ. 05827 67011.

● SERVICES

Link with Euronet

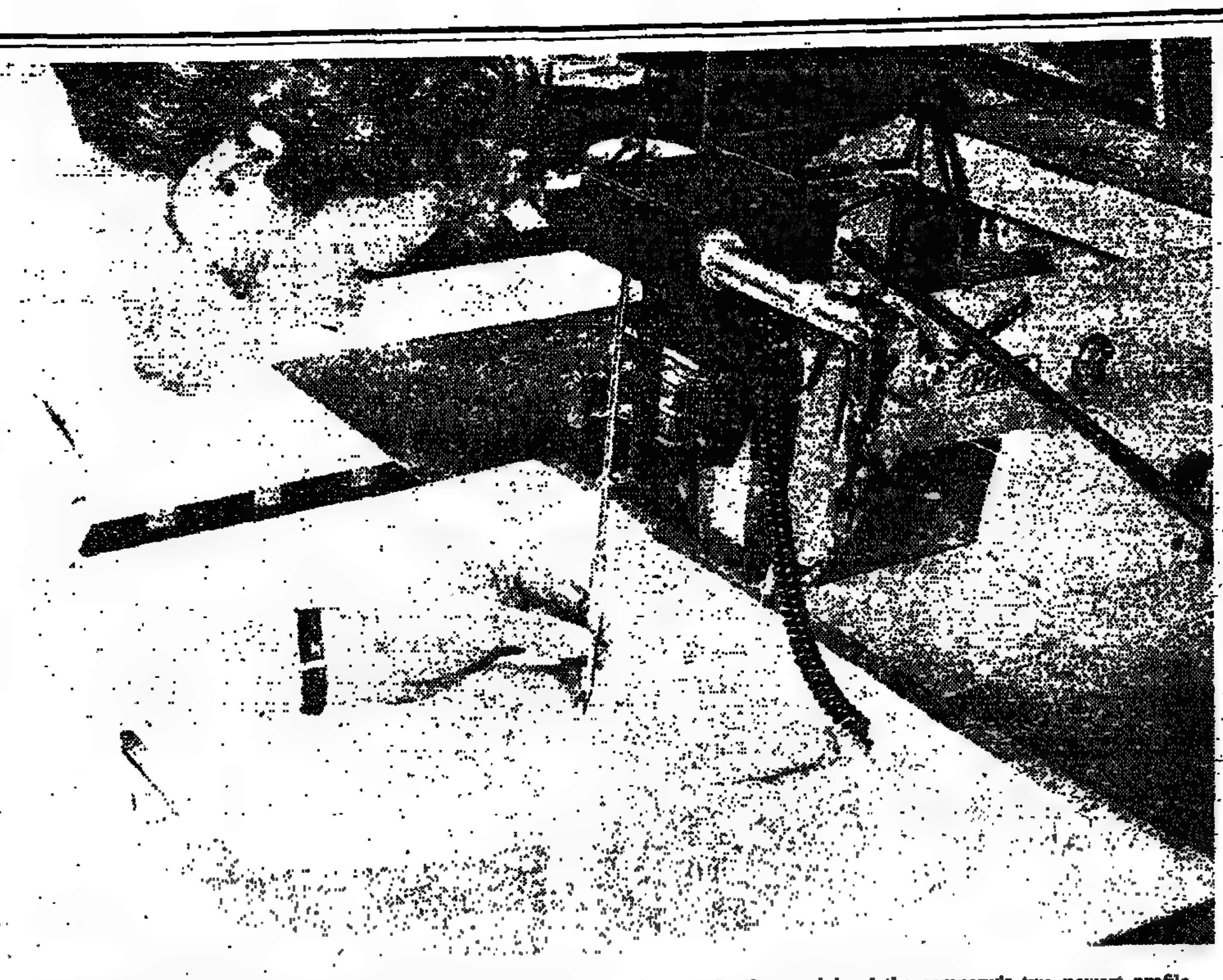
GSI UK, part of the largest European computer services company (formerly CRC) has become the first "host" bureau in Europe on Euronet, the EEC telecommunications network which has now gone live.

In addition, GSI has also announced its first customer to use the service—Infoline, the Government financed on-line technical information service.

Any Euronet user can now plug into any of the GSI machines in the UK, including two Sigma 9s, a Univac 1100 and a DEC 2020.

Recently GSI announced that it was the first "host" computer centre in Europe on the IPSS packet switching network, and it is now ready to link up with the UK Post Office's PSS network.

More on 01-242 0747.



A designer using a stylus and hand-held control box with press buttons to feed a stitching pattern into the memory of a microprocessor-controlled, automatic, profile sewing machine at Trubenised (Sales) of Knebworth, Herts. The first production models of the company's two newest profile stitchers are now on their way to international shoe and clothing exhibitions in France, Germany and the U.S.A. for exhibition in September and October.

● BANKING

Credit card has a mind of its own

UNDER consideration by French joint banking groups for some time, but shelved pending electronic funds transfer (cashless society) decisions at "the highest levels", is a move to use an active form credit card which contains not only its own microprocessor, but also a solid-state memory virtually as extensive as the user organisation cares to make it.

So far, in Britain, the argument between bank and bank has been based on what the magnetic stripe in the credit-cum-local-stores purchase card should contain. Half the contestants say the card should have very little vital information within it, other than the coding which allows the relevant terminal to gain access to the user's account in the central computers.

The other half says much more reliance should be placed on the magnetic stripe as the primary source of information on the real state of the holder's account and of recent transactions. Unfortunately for the latter, the former appear to have IBM backing.

In any event, the French invention, originated by M. Roland Moreno and taken out by the Sté Innovatron in France, the UK, the U.S. and several other EEC countries, provides for a "credit" card which would incorporate its own computer rather than rudimentary magnetic memory.

Now this is an extremely important change from the passive magnetic stripe.

It means that the in-card processor, in the right hands, can be made to do a host of operations independently from the local bank branch. It could, indeed, absolve the local branches from the need to install a great deal of ancillary equipment of this kind. This is now required because of severe staff shortages and pressure from the increasing cashless modes of living.

The in-card processor would greatly simplify the accounting work of the smaller companies. This could be given a "line of credit" from its supporting bank and carry out all its commercial operations for a month or a quarter—all covered by the one card.

The key is, of course, that the microprocessor in the card is instructed by the bank to stop all transactions when the credit limit has been reached. The advantage is that all company transactions over a month can be read in a few seconds.

Be all that as it may, a high-level committee of the Banque de France has been looking at what the impact of such a memory card could be. But because of the legal, national, international and social consequences of any major decision on electronic funds transfer, the BdF has decided to wait and see.

Understandably, Siemens, NCR, CII-Honeywell Bull and Schlumberger have taken out a non-exclusive licence, either to examine and exploit the device or to build equipment that will encode and read such cards.

Probably one of the most attractive aspects of this micro-card is that, should anyone attempt to find out what it contains in the form of data on the private person or the company whose property it is, it can [illegible] all the information it holds. And apart from that, should [illegible] holder [illegible]

[illegible] his card — around two in the morning — and refuses to relinquish it?

Not entirely apposite, perhaps, since such cards would most likely be brought in for small companies and industrial undertakings first. The question must, however, be asked, before any approach to the general public is made. The card may solve problems for the banks—shifting them on to the shoulders of the makers of the cards and the equipment [illegible] to handle them. Does it help the general user? Because of the speed with which [illegible] processor prices are continuing to fall, the answer must be "yes." But it is a qualified yes, as heretofore.

[illegible] Innovatron, 30 Boulevard [illegible], Paris 10e, France. Tel. 208 4218.

[illegible]

Hi-fi amplific[illegible]

THE FIRST [illegible] standard [illegible] performance [illegible] high fidelity amplifiers has been issued by the International Electrotechnical Commission (IEC).

The Commission believes the publication will be welcomed by all involved in the marketing and purchasing of amplifiers. Consumers should as a result be able to buy with more confidence, test houses will find comparison of equipments [illegible] particular [illegible] in respect of the [illegible] by competitors.

Linear and [illegible] amplifiers, integrated amplifiers and the [illegible] power amplifier are covered, with particular reference to high quality reproducing systems in the home.

The IEC is at 1, Rue de Varembe, 1211 Geneva, Switzerland.

● ENERGY

Making fuel go further

NRDC has decided to give £110,000 in support of a joint venture with Neotronics of Takeley, Essex, to develop equipment which will make a "significant contribution" towards energy saving.

Fuel conservation measures are assuming rapidly-increasing importance in the national interest and as a means of cost-saving for the user. Using microprocessor technology, this new instrument will ensure that any fossil fuel can be used at maximum efficiency, whether it is for space heating or industrial processing.

It should be on the market by mid-1980 and, at a cost of under £500, its price could quickly be repaid by fuel savings achieved. For example, central heating boilers of a large office block may total 5m BTU/hour output, and every 1 per cent improvement in efficiency would be worth around £3,000 a year in reduced fuel costs.

A recent survey of oil-fired boiler usage in Eire showed that an improvement in combustion efficiency overall of at least 6 per cent could be achieved and there is little reason to suppose that run of the mill installations in the UK are operating any more efficiently.

Neotronics was started in 1973. Initially, the company developed a range of combustible gas monitors, also funded by a joint venture with NRDC. Instruments for monitoring oxygen and toxic gases have since been developed and Neotronics is now one of the foremost British-owned companies in this field.

Neotronics is now carrying out a drive into the energy conservation field with a substantial development programme. The first project, a stack loss measurement kit, was reported on this page a fortnight ago.

Scientific Equipment group, NRDC, Kingsgate House, 66, Victoria Street, London SW1E 6SL. 01 828 3400.

Deploys its own heat

EMPLOYING something akin to car heater technique, an engine-driven generator set from Kohler in the U.S. makes use of a good deal of the heat normally lost.

Heat recovery fittings are offered for utilisation of a closed water system that captures heat from the engine and diverts it from the engine radiator, where it is normally lost to atmosphere, to external convectors.

Thermostatic control in the generator directs the heat flow either through the heat recovery system or the radiator while maintaining the engine temperature at no less than 143 deg F to prevent overcooling. Flow from the engine radiator jacket to the convectors is maintained by the engine circulating pump by a two-way solenoid valve operated by an ordinary room thermostat.

● COMPUTING

Data made available

SIA IS making available the Central Statistical Offices' UK macroeconomic databank, CSO Databank.

This is accessed through SIA's HASH econometric modelling system which runs on the company's international computer service and communications network.

The Databank has been prepared and will be constantly updated by the Central Statistical Office. It contains over 2,000 annual, quarterly, monthly and seasonally adjusted UK macro-economic time series. The earliest date from 1945, but the majority from between 1955 to 1965, and are complete up to the present day.

Regular or batch users of the Databank may have printed out a complete listing of tables in order to facilitate series code identification and subsequent retrieval. However, in interactive mode the system guides the user through the hierarchy to the required series.

Because the Databank is accessed via HASH, it is fully interfaced with the system's ability to handle all aspects of determining relationships in time series, from data storage, manipulation and transformation to model estimation, simulation and forecasting.

SIA, 23 Lower Belgrave Street, London SW1W 0NW. 01-730 4544.

Suitable for many tasks

COMMODORE has chosen IBS Birmingham for the launch of its 32K PET floppy disc micro-computer as a business system.

The 32K PET has a screen, a standard-size alpha-numeric keyboard with PET graphics, and a computing/calculating unit. Interfaced to the Commodore 2040 dual floppy disc drive, it can have up to 360K of memory. High speed, quality print-out of data is obtained by linking it to a programmable line feed tractor printer. This new tractor printer can handle continuous graphics.

Accountancy and management packages to be introduced are an integrated accounting system, incorporating nominal/general ledger, purchase ledger, sales ledger, statements, aged analysis of debtors/creditors, trial balance, nominal ledger transaction list and audit trail, purchase ledger transaction list and remittance advice.

There is also a package for stock control, stock reports, audit trail and transaction reports which incorporates invoicing as an option.

The Business Information System package acts as a Retrieval and Report Generator Package, to establish and run mailing lists, membership lists and any other statistical data vital to each particular business.

With a dual floppy disc and the new printer total system cost is under £2,500.

Commodore, 818 Leigh Road, Slough, Bucks. 75 74111.

Will type and retrieve

TES 501 text editing system from Olivetti has been adapted to suit specific applications for professional users. While it is able effectively to handle all aspects of word processing (text production, electronic correction, combining two or more texts, etc.) and offers the various features normally associated with word processing machines (display, floppy disc storage, choice of type pitches and styles, cartridge ribbons, etc.) it is the information retrieval capability that has enabled Olivetti to provide tailor-made solutions to the problems of professionals.

The ability to store all information on file and to then recall it for update, reference, or [illegible] facility that can have immediate benefit in most professions. Instead of time-consuming manual file searches, the TES 501 is programmed to deliver the required information immediately.

Estate agents are able to extract comprehensive details of all available properties within a given area that meet specific accommodation requirements and that are within a specific price range. Travel agents have to hand records of all clients, together with details of holiday balances and details of advanced bookings.

Insurance brokers are able to see at a glance how many policies are up for renewal on any date, credit control companies are able to keep track of debts, producing perfect typed letters to remind clients of amounts due—automatically. Personnel or recruitment agencies are able to interrogate the files for information about any employee, prospective employee, or to match the most suitable candidate on their books with a company vacancy, and these are only a few of the potential applications.

The advantages are obvious, but perhaps most important of all is ability to have to hand a comprehensive management record of all or selected files, irrespective of whether they are also held on a computer, relieving staff from mundane file-searching tasks.

Standard texts can be combined with selected names and addresses to result in high-quality typed letters quickly and simply. There is no limit to the number of variables that can be inserted into the system and if the automatic sheet feeder is fitted, the operator can leave the machine to type out the entire run at a speed of 350 words per minute.

British Olivetti, 30, Berkeley Square, London, W1X 6AH. 01-629 8807.

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THE MARKETING SCENE

EDITED BY MICHAEL THOMPSON-NOEL

Design nears maturity

DESIGN IS the irritating little sister of marketing which is always trying to draw attention to itself and rarely succeeding. Which is a pity for good design—of products, packs, retail outlets, and company images—can do as much for sales as advertising, and at much less cost. The problem for design is that it is often difficult to distinguish its contribution to the overall marketing plan. The same can be said for advertising but advertising has sophisticated and eloquent agencies to defend it while most design is assembled in-house, or put out to thousands of individual free-lance designers, incapable of a propaganda job. Only a handful of sizeable design companies have emerged to wave the flag for their profession (or trade) in the face of indifferent companies.

In the main design remains anonymous, the handmaiden of marketing, called in late to add some artificial gloss to a campaign. This anonymity could be justified in the past by the smallness of most design companies. Now they are getting quite sizeable. Fitch and Co employs more than a hundred people in the UK and in Paris (where British design is much respected) and in the Middle East). It handles £20m worth of client's money a year and has a fee income of over £1m. Conran Associates claims a revenue approaching £2m, and with Pentagram, Wolf Olins, Allied International and the Research Design Unit jostles with Fitch for domination.

Often the competition is illusory because the major companies have their own specialisations—Fitch and Co concentrates on retailing: Wolf Olins on corporate image; Pentagram, corporate identity with a strong architectural flavour; Allied International, packaging; and Design Research Unit, industrial; although all are interested in commissions from any quarter. Collectively their fee income is around £8m a year, quite a substantial sum.

The situation is changing. Retailers, who have called in design consultants to transform one shop and seen their turnover almost double, are taking it seriously, as are companies like Airfix which has grown rapidly on the back of design to the extent of spawning its own design consultancy, Benchmark, which works for Airfix but also for anyone who will employ it. Benchmark is headed by David White, formerly a director of Conran Associates, a long-time creative force for Airfix. Between them they developed the ultimate in design co-ordination, the Working Kitchen range of plastic accessories. They were designed at Conran, manufactured by Airfix, and sold through Timothy White's (now also Boots) with all three parties, taking a percentage of the profit. The same concept has been pursued in a bathroom range for M. and S. This is design in effective action, not just a few drawings or mock ups to be rejected by the chairman.

Conran now earns about a quarter of its revenue from product design in royalty and is quite happy to make an investment based on its own skills. But managing director John Stephenson sees the main problem for design as a reluctance on the part of designers to develop the all-round skills which enable them to make a contribution in the boardroom, which is where they must be to make themselves effective. Perhaps they are unable to rise to the challenge.

Rodney Fitch also believes that designers deserve some of the blame. They like to dictate and are sometimes remote from reality. They rarely invest in research. But in the main it is the indifference of companies, who are too content to leave design to in-house teams who inevitably lose their sparkle when faced with the same tasks. There is also a reluctance to involve design with advertising and to creatively differentiate between the two contributions to successful selling.

So far this has been a good year for design, especially on the retailing side where competition is currently very fierce, but when companies lose confidence and cutback on investment, it is design that inevitably suffers, not perhaps so quickly or so fiercely as advertising, but perhaps more unnecessarily. Whether the faults in the past have rested with the design consultancies or their clients the time has come to take this powerful marketing force much more seriously.

Antony Thorncroft

Hugh Routledge

David White of Benchmark: spreading the design message from a Shaftesbury Avenue eyrie

Traveller's tales of overseas sales

Over the past nine months, AUBREY WILSON has lectured on marketing in Mexico, the Philippines, Malaysia, Singapore, South Africa, the Netherlands, Norway, Finland, the U.S. and Denmark, and has had the opportunity to compare attitudes, methods and success rates in these widely varied markets. In this article he compares marketing activities abroad with those in Britain.

IT IS GENERALLY acknowledged that marketing as we know it today originated in the U.S., and it is from there that most new ideas and approaches in marketing emanate. On the other hand, while American techniques continue to dominate consumer goods marketing, neither in the industrial field nor in the area of service marketing do the Americans have either a monopoly or indeed a dominance of new thinking.

True enough, three of the most useful new approaches have U.S. origins. The Dupont technique of "price and performance perception" which enables a monetary value to be placed on particular attributes of a product or service to establish either a premium price or better product profile, is one such approach. The adaptation of the Stanford Research Institute's "vulnerability analysis" technique has provided a new and disciplined methodology in its area, and Ms Lyn Shostack's molecular approach to service marketing is just about the only fundamental new thinking to advance service marketing in the past few years.

What is interesting, however, in countries as diverse as South Africa and Malaysia, is that there is a very lively awareness among businessmen of new techniques being developed and tested in the U.S. and Europe and an appreciation that they can be adapted speedily and efficiently to their own circumstances.

The view that in order to be marketing orientated it is necessary to climb the learning curve from simple to sophisticated marketing is no longer held by businessmen world wide, and they are ready and anxious to make the quantum leap from no marketing or little marketing to the adoption of some of the most advanced techniques. They realise they do not have to make the mistakes of the originators to achieve the successes of those who consolidated the work of the pioneers in marketing. This approach to marketing is indeed a great advance that bodes nothing but good for all countries that do not succumb to that bane of all development thinking known as NIH (Not Invented Here).

Malaysia's export trade rose from £157m in 1976 to £233m in 1977. A great deal of this success must be attributed to the sponsorship provided by various government bodies such forces as MIDA and MARA, which has helped generate both the technique and the motivation to export, and to market Malaysia to foreign investors. Sensibly, they established early contact with such successful similar bodies as the Irish Industrial Development Authority, known and respected world wide alongside its sister organisation, Coras Trachtala (Irish Export Board) for its skills in marketing Ireland and Irish products.

Evidence that Mexico is willing to note and learn by the past mistakes of others is manifest in their refusal to allow their rapidly accumulating oil wealth to distort both the economy and social structure of the country. That is not to say they have not embarked on a programme of improving the standard of living and quality of life at all levels, only that there is to be an ordered move forward to progress, not a panic. This in turn means that marketing must keep step with the growing wealth and requirements of the Mexicans and with the demand for goods and services that these changes will generate.

Responsible companies in Mexico are gearing their development to these objectives and are adopting and using both industrial and consumer marketing and research techniques to ensure that they remain in step with their country's needs, aspirations and abilities.

Some of the most interesting changes are of course occurring in the service sector, particularly in financial services. It would only surprise anyone who did not know South East Asia that Singaporian, Indonesian and Malaysian bankers have more firmly and clearly grasped the problem of marketing bank services than have many eminent Western financial organisations.

They show a willingness to learn and apply all that is best in service marketing—an attitude which matches their growing technical expertise. A similar story can be observed in insurance. A large American assurance company recently exposed over 600 of its staff in Malaysia, Singapore and the Philippines to intensive marketing training. This was not simply the sales training that is commonplace in the West. The company believes that all staff must have an understanding of the total marketing system, and more importantly their own role in such a system. There can be few if any insurance companies in the UK that have adopted this stance.

Philips Electrical is regarded internationally as knowledgeable and successful in the marketing of the many products and systems it sells. In Mexico it is minority shareholder in a local electronic manufacturing enterprise, Epasa. Holland provides only the technical inputs. Marketing is left to the Mexican managers who are developing their marketing structures and systems for the special nature of their domestic and export markets.

Market planning is now an integral part of the management activity at Epasa, and while it modestly claims it is still very new and inexperienced in this area, the eclectic approach based on perusing, examining and adapting what it observes to be successful elsewhere, is already paying dividends.

Looking at these varied activities it is inevitable that comparison is made with the state of marketing in the UK. While it would be absurd to claim world dominance, there is little doubt that in industrial marketing and many types of service marketing, Britain continues to hold the lead it established in the 1960s. As before, the best in the U.S. is unbeatable but the average does not appear to reach the standard set by Britain.

But our lead is being eroded by the poor image which has developed for British goods. It was said in Finland that "British marketing is a great deal better than their manufacturing and delivery performance." British marketing has in recent years fallen into the classic trap of starting marketing campaigns before the goods are in the shops—in other words, carrying out an excellent marketing job without the ability of production.

Moreover, it is only necessary to mention the word "delivery" on a foreign lecture platform to observe the looks exchanged in the audience, the smiles and cynicism. Questioning shows that a very substantial part indeed of this cynicism is based not on most industrial plant and equipment, but on the British motor industry, apart from its intent on tearing itself to bits, is also in the process of ripping into tatters other British export efforts.

The industrialist in Palo Alto, California, who cannot get a replacement tachometer for his British car, is reminded every time he looks into the gaping orifice in his dashboard just how poor British service is. He does not separate out British Leyland's troubles from the magnificent performance of other exporters.

Heenan Froude's chassis dynamometers; Ransome and Rapier, taken from the brink of collapse to world dominance of the heavy earth moving equipment market by a combination of excellent and balanced marketing and engineering and production; Gullick Dobson and Dowty's patient wooing of the Chinese leading to deals in mining equipment worth in excess of $150m; and, in the service sector, British Rail's transport research department being awarded a contract from the government of Hong Kong worth £3m, are all examples of what I mean.

The list is long but it is an unfortunate fact that delivery promises unkept, service that is non-existent or inadequate, and products that do not meet performance standards must reduce the respect the world has for British marketing expertise. Marketing techniques can be applied to any product or service, good or bad, but the expertise is to know when a product is ready for marketing and a market ready to receive it. This is probably the area where the British marketeer must make his greatest efforts in the next few years.

Direct from the States

THE EASIEST way to get ideas for new products is to take a trip to the U.S. and wander around a few supermarkets. These days, unfortunately, even that is no longer essential. In its Development News, Kraushar Andrews and Eassie gives a run-down of fresh concepts which should set a few British laboratories buzzing.

Conair Corporation, for example, has introduced a range of shampoos, conditioners and hair sprays based on henna, a 3,000-year-old cosmetic. Mary Quant is perhaps more revolutionary with "Fruits & Nuts," a make-up range launched in the U.S. and including pistachio, hazelnut, grape, chestnut, damson, plum and sugar almond among its flavours. Now people with false teeth can help expand the breath freshener market thanks to "Brethgard" by Barr Research Corporation. You dab it on your dentures, while "Love My Carpet" comes from Lehn & Fink. You sprinkle it on the carpet before it is vacuum cleaned.

The preoccupation with cleanliness is carried over to pets through Footman Multi-purpose Disposable Mats from Scott Paper. These are used in doorways, bathrooms, etc., as drain pads for pets. Boyle Midway maintains the animal theme by launching slow release air fresheners in the shape of cats, owls, etc. Babies, too, cannot escape the attentions of the new product men. Heinz has introduced "Natural Fruit Yoghurt," aimed directly at them, and when they are a bit older they can try "Yellow Corn Cereal" from Nutritional Food Products; puffed yellow corn as a ready to eat cereal.

Art Coffee is test marketing in Japan "Petit Coffee," tablets containing coffee, sugar and milk, and Lotte has developed a range of "Fresh in" gums with a liquid core, including coffee. DOB Food Products has come up with Gino's microwave pizzas under the slogan "from freezer to microwave to table in two minutes," and Cocoa Cola has "Hi-C," an unsweetened drink mix with a "full day's supply of vitamin C per serving."

Boom time for IPC

EVEN BEFORE the industrial dispute wiped out ITV, advertisers were apparently paying more attention to one of its greatest media competitors—women's magazines. According to the giant in the field, IPC, bookings in the quarter ending September are 54 per cent up on 1978, at £14.5m as against £9.4m. Rate increases account for only 8½ per cent of the lift.

The greater demand for the big four—"Woman" "Woman's Own," Woman's Weekly" and "Woman's Realm," began earlier in the year, and in the first quarter (April to June in the IPC calendar) advertising revenue was 33 per cent higher at £14.2m. Now in the usually quieter summer period there has been another appreciable improvement.

Frank Farmer, advertisement director for IPC women's magazines, pinpoints three reasons for the gains and for future improvement—higher sales for all the magazines in the group; a £2.7m advertising campaign in the autumn; and higher TV costs. According to Farmer the cost of reaching housewives under 54 in his magazines is 74 per cent less than on television. Although it takes time to switch media the likelihood of a long ITV strike suggests that women's magazines will be faced with much more demand for space in the run up to Christmas. A tangible sign of the times is the £500,000 boost for Nescafé instant coffee exclusively in the women's magazines. This is the first time in four years that Nestlé has used the medium.

A T

News in brief

● Allen Brady Marsh maintains its appeal to advertisers. Following its recent acquisition of Midland Bank and the Provincial Building Society it this week added Jeyes, formerly with Roe and Partners. ABM will handle the advertising for the consumer products division, worth around £750,000 a year. ABM competed at seven in the evening and was appointed at 10.30 a.m. the next morning.

● Brooke Bond is to spend a massive £3m on relaunching Dividend "D" tea from September, the largest sum ever put behind a tea in the UK. It aims to increase the brands share of the tea bag market, which grew by 16 per cent last year. The initial campaign is a £1m ten week TV burst followed by posters, promotions and a 10m coupon drop.

● According to ISBA expenditure by British companies on national exhibitions, agricultural shows and private exhibitions rose by 29 per cent last year to £144m. Exhibitions now represent around 8 per cent of total advertising expenditure in the UK and are one of the fastest growing sectors. Earls Court and Olympia expanded from 28 per cent to 33 per cent of the total spent while the NEC in Birmingham slipped back from 42 per cent to 38 per cent.

● Research Services has retained the JICNARS survey of national readership for another three years against opposition from six other research companies.

LOMBARD

Over-stating the oil crisis

BY RAY DAFTER

IT IS good to see so many car manufacturers promoting the idea of energy conservation. To sell a car these days, it seems, it is important to stress the vehicle's performance more in miles per gallon than in miles per hour.

This is a healthy move on the part of an industry which can do much to reduce the world's thirst for oil. In the UK, for instance, petrol accounts for about one-fifth of total oil demand.

However, advertisement copy writers appear to be making the point by painting their own particularly pessimistic version of the energy crisis.

Confident

Take the case of Fiat's advertisement for the Strada—"Listen, if we are going to leave any oil for our kids, more cars have got to look like this." But, according to the Fiat people, our children will have to learn to live without oil altogether. For, "the last oil well runs dry in 40 years' time," Fiat proclaims.

Not so. Even under the most pessimistic assumptions there will still be crude oil being produced in 40 years' time, quite possibly 140 years' time. Even in the UK—not the most prolific oil region in the world—the Government is confident that some oil fields will be exploited beyond the year 2025.

Moving into a different oil producing league, Saudi Arabia has sufficient reserves to last at least 50 years, even assuming that it maintains output at the presently increased level of 9.5m barrels a day.

Fiat's startling statement would indicate that the last oil production well will be drilled within the next decade, assuming that the final fields to be discovered would take just 30 years to deplete. Such a view is unjustified; indeed it is possible to foresee some modest amounts of oil being available for the high priced premium markets—chemicals and transport—as far ahead as the 22nd century.

This is not to say there is no energy problem. There is. It is a huge one that could undermine the international economy and, perhaps, security. But the problem is more one of supply and demand than of available resources.

For decades the world's *demand for oil had been allowed* to accelerate unchecked. So we are now in a transition stage, moving towards a time when alternative sources of energy will be more widely used and when crude oil will be consumed much more carefully. The price of oil will see to that.

Whether the cost of oil rises as fast as Austin Morris envisages is another matter. "Petrol prices rocketing. £1.40 next week?" is the statement (rhetorical question?) heading the latest advertisement for the Princess 1700HLS and 2000HLS models.

Perhaps Austin Morris knows something about the Government's immediate money-raising plans that we don't know, but barring another thumping increase in taxation there seems little chance of petrol prices rising next week.

But still, the basic message is a useful one. Crude oil is a valuable product; it will become increasingly expensive and we—as consumers—must learn to look very carefully at ways of conserving our supplies. Watching petrol consumption is one way to do this, as Renault reminds us.

OPEC views

However, the French company goes further. Its advertisement states that oil producers will be "furious" when they see the official Government mileage figures for Renault cars. "In fact, they'll be shaking with rage," the copy continues. Petrol consumption figures showed that its customers would be saving petrol and money, "and that probably wasn't what the Sheikhs had in mind."

Wrong again. That was exactly what the Organisation of Petroleum Exporting Countries had in mind. Since 1973 its leaders have protested at the way western motorists—particularly American motorists—have been driving gas guzzling cars. OPEC has been urging conservation as strongly as anyone, not out of altruism but out of self-interest. It not only wants its crude oil to be more highly valued, but—just as important—it wants the fuel to be produced over as long a timespan as possible.

Reducing oil demand will *help to ease the pressure on* prices (although crude oil will never again be cheap) and it will prolong the earning power of the oil producers. Here the *car manufacturers are playing* their part, albeit in their own flamboyant way.

Compensation for DC10 crash victims

THE DC10 Chicago crash last May, which cost 275 lives, was not the first tragedy which appeared to be due to some fault in the design or the maintenance of this widely used type of aircraft. After the initial shock on the flying public had worn off there followed a period of commercial anxiety about the future of the DC10s, kept grounded while technicians investigated the cause of the failure. Now that the DC10s are flying again, the legal wrangle over compensation for the victims' families is moving into the focus of attention.

Negligence

The compensation paid after the crash of the Turkish Airlines' DC10 in Paris in 1974 amounted to $63m. The payout in the Chicago case will be bigger—current estimates are around $200m. Of this U.S. lawyers representing the families of the victims will keep some $40m in contingency fees. Already there has been a scramble for briefs and one can be sure that the legal issues—of which the degree of negligence has pride of place—will be fought with unprecedented tenacity. It is likely that the case will set legal standards which may influence courts outside the U.S.

The hearings opened by the U.S. National Transportation Safety Board (NTSB) at the beginning of this month are an important preliminary to litigation. Victims' families are being warned by lawyers not to accept offers of out-of-court settlements.

The NTSB is not concerned with liability for the consequences of the crash, but only with the airworthiness of aircraft. The report which it will produce — no doubt several volumes thick — will not be admitted as evidence in court, but it will be studied eagerly by the lawyers of the claimants as well as those of the defendants. The conclusions reached by the NTSB will influence their legal strategy and the lawyers representing the families of the victims, will be able to call as witnesses individual investigators who contributed to the report.

The potential defendants in air-crash compensation suits have a more intimate link with the NTSB investigation. The Federal Aviation Administration (FAA) which itself may be liable — for example when a crash is attributed to negligence on the part of air controllers, or a failure of the airport services — participates in the NTSB investigation. The other potential defendants, the airline, the makers of the aeroplane and suppliers of its equipment as well as their sub-contractors, do not participate in the investigation as directly as the FAA, but are often asked to send their representatives who are then included in teams of NTSB investigators assigned to study special aspects of the accident. It is likely that there will be about 15 such representatives of potential defendants among the 100 investigators concerned with the DC10 Chicago crash.

Even before the trial takes place, the defendants—the airline, the manufacturers and other suppliers—and the FAA which is represented by the Department of Justice, may reach an agreement about the proportion in which they will contribute to the total damages awarded. They will not dispute overall liability for compensatory damages (though they will try to keep them as low as possible) but will certainly oppose claims for punitive damages, which have not yet succeeded in American courts in similar cases, but are almost certainly going to be made again in this case.

The issue of punitive damages, and the concept of "gross misconduct" for which these can be awarded, could well become the crucial issue in the Chicago case. The concept of "gross misconduct" is related to the concept of "wilful misconduct" which first appeared in mid-19th century British railway law. It was introduced into international law by the Warsaw IATA Convention which would apply to, and limit the compensation in respect of only those passengers on the crashed DC10 who held tickets for an international journey as opposed to a domestic one.

BUSINESS AND THE COURTS

BY A. H. HERMANN, Legal Correspondent

According to Article 25 of the Warsaw Convention, the limit on liability is removed by actions or omissions committed either with the intention to cause damage or "recklessly and in the knowledge that it will probably lead to a damage." Moreover, it has to be proved that the servants or agents of the airline acted within the framework of their duties.

Different courts have taken a different view of what is meant by the words of the Warsaw Convention. Some courts have adopted the "subjective" view, i.e. that to be called reckless, those who were negligent actually had to have foreseen the consequences. Other courts have inclined to the "objective" view, holding that it was enough to show that circumstances were such as would bring home to a reasonable man that his conduct was highly dangerous. Such a view was taken in 1962 by a U.S. District Court.

In 1969 a French court, the Orleans Court of Appeal, took a similar view. In that case liability depended on the degree of negligence of the crew which caused the crash by failing to use an available radio beam before continuing the descent of the aircraft. The crew was not aware of the risk and was, therefore, not "subjectively reckless," but the French court held that it was enough that circumstances were such which would have made a diligent crew aware of the grave risk which existed. The same "objective" view was taken in 1973 by the Paris Court of Appeal in another case.

Parcel loss

The "objective" doctrine received powerful support quite recently from the German Supreme Court (BGH) in a decision concerning loss of a parcel containing money on a flight from Tenerife to Lisbon. In its judgment, reported further column on June 24, 1979, the BGH held that "recklessness" did not imply that the negligent person was conscious of the probable consequences. In the circumstances of the case indicated, said the court, that the chief stewardess should have known that her action would probably lead to the loss of the parcels.

The Swiss Federal Supreme Court has taken a very similar line, accepting that an absolute proof of the will or intention of the negligent person is impossible. It ruled that the trial judge may rely on probability as it appears in the light of his experience of life. This reasoning was anticipated by a decision of the Zurich Court of Appeal in a case which, like the German decision, also concerned theft of banknotes. It was implicit that the airline personnel was reconciled to the probability that the banknotes would be stolen; but as they were carried in a wide mesh bag so that anybody could see them, and dumped together with other baggage on a route notorious for thefts at intermediate stops, the judge concluded that this was enough to establish the unlimited liability of the airline.

One can see that the defendants in the DC10 Chicago case will be in a very difficult position. It will not be so much a question of whether they knew that the engine pod linkage was faulty as whether they could have known that it might be and did not check.

Bernet and Lesser v. B.C.P.B., 1962 IATA Reports on Carriers' Liability.

Rorry v. Sabena 1970 ULC 236.

BGH Judg 1972 BGH 38 II 257, 29 Nov 1969, 1971 ULC 127.

Hopes for Repeat Performance

RACING

BY DOMINIC WIGAN

HOLIDAYMAKERS at Brighton or Yarmouth should have an enjoyable day if the weather holds. Lester Piggott returns to the Yarmouth track principally to ride Jazz King and Repeat Performance, both owned by his brother-in-law, Robert Armstrong, while this country's other great riding attraction, Willie Carson, will also be in action at Brighton.

Jazz King could well have his work cut out to beat course and distance winner Double Finesse, in Yarmouth's seven furlong Vincent Handicap; but I anticipate few problems for Repeat Performance half an hour later in the Cotman Stakes.

This late developing bay colt, by Targowise out of Gold Rod's half sister, Peta's Bay, made no impact at Yarmouth on his debut in June, but was clearly held in high regard even then because his next outing was at the Windsor Castle Stakes at Royal Ascot.

Seen with a real chance, Repeat Performance showed to far greater advantage in the Pegasus Maiden Stakes at Newmarket until challenged by such useful animals as Quick As Lightning near home.

At the line, the Armstrong two-year-old was a highly creditable sixth of 24.

Although I can give no excuses for Repeat Performance's poor showing when a hot favourite for Newmarket's Girton Stakes last week, his home-work with such smart stablemates as Stamen and Swinford Rose suggests that he is well worth another chance.

Down on the south coast, course and distance winner Fair Top, can provide championship chasing Carson with the winner of the afternoon's feature event, the Jim Taylor Memorial Handicap.

A second likely prospect for the Scottish born champion is Fair Top's stablemate Highland Bear, in the opener, the Coldean Stakes.

BRIGHTON

2.00—Highland Bear**
2.30—The Goldstone
3.00—Fair Top
3.30—Born To Lose
4.00—Petty Purse*
4.30—Millville

YARMOUTH

2.15—Grade Well
2.45—Ariel
3.15—Double Meaning
3.45—Double Finesse
4.15—Repeat Performance***
4.45—Fenella

TV Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.45 Magic Roundabout. 9.50 Jackanory. 10.05 Pixie and Dixie. †10.10 The Boy from 5B. 10.35 Take Hart. 11.25 Cricket: Fourth Test—England v India. 1.30 pm Playboard. 1.45 News. 2.05 Cricket: Fourth Test. 4.18 Regional News for England (except London). 4.20 Play School (as BBC-2 11.00 am). 4.45 Scooby Doo. 5.05 Play Away. 5.35 The Wombles.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Top Sailing.
6.55 Dr. Who.
7.20 Top of the Pops.
8.00 It Ain't Half Hot Mum.
8.30 The *Persuaders*.
9.00 News.
9.25 The Hollywood Greats.
10.20 Skellern.
10.55 Most Wanted.
11.40-Weather/*Regional* News.

All Regions as BBC-1 except at the following times:

Scotland—5.55-6.20 pm Reporting Scotland. 11.40 News and Weather for Scotland.

Wales—5.55-6.20 pm Wales Today. 6.55-7.20 Heddiw. 11.40 *News and Weather for Wales.*

Northern Ireland — 4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern *Ireland.*

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); *Points West (Bristol); South* Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am *Open University.*
11.00 Play School.
4.30 pm Cricket: Fourth Test—England v India.
6.30 Open University
6.35 Classic Curling.
7.35 Mid-Evening News.
7.35 Landscapes of England.
8.00 Empire Road.
8.30 The Paper Chase.
9.25 News 39.
9.35 Tribute to Jean Renoir: "The River," starring Nora Swinburne, Esmond Knight and Adrienne Corri.
11.10 Late News.
11.25 Cricket: Fourth Test (*highlights*).
11.55 Closedown reading.

Channel is the only IBA company transmitting programmes during the present industrial dispute. Details of this local service are given below.

CHANNEL

1.20-1.30 pm Channel Lunchtime News, What's On Where and Weather. 5.00 *Puffin's Birthday Greetings.* 5.05 Call It Macaroni. 5.30 Lost Islands. 6.00 Report at Six Extra. 7.00 Aloming—Prairie Zoo. 7.30 New Avengers. 8.30 Feature Film: "Lucy And The Mississippi Queen." 10.00 Channel Late News. 10.05 Fireside Theatre. 11.05 *French News etc.*

F.T. CROSSWORD PUZZLE No. 4,060

ACROSS

1 Take away from French channel (6)
4 Saw a short way (8)
10 *Leave to throw young bird* (7)
11 Let the air out of accommodation in river (7)
12 Partly on cement at one *time* (4)
13 Caught with noisy breakout in sudden storm (10)
15 Upset nothing inside but it's ruined (6)
16 *Braided note in Scottish* cloth (7)
20 Upset hot tray to become hoarse (7)
21 Retainer at Lord's and Highbury (6)
24 Light producer or arranger of romance (10)
26 Armaments put back in bar-parlour (4)
28 Our hut's damaged in eruption (7)
29 Engage a quiet fieldsman (7)
30 Characteristics passed on here—unusually tidy (8)
31 Riddle of the picture shower? (6)

DOWN

1 Follow home, but when in it one is out of favour (3-5)
2 Ruin clergymen using kitchen wiper (4-5)
3 Pilfer a bed (4)
5 Raise the stakes on edition in Russian currency (8)
6 Pole frequently made hot as eggs may be (4-6)
7 Seat I clean around (5)
8 Try to dine inside to get agreement (6)
9 I left in time although active (5)
14 Initiate a dog and sleuth (10)
17 Without being thoughtful it could be dear (9)
18 What art's designed in headgear (5-3)
19 Disturb right inside marsh (8)
22 Easy to argue and quiet about it (6)
23 Early change to broadcast anew (5)
25 Teacher you in France put to right (5)
27 Narrative poem seen in some pictures (4)

Solution to Puzzle No. 4,059

GOODFORNOTHING
RIDGE EMOTIONAL
MEASLED ENLARGE
SLOSH ISINGLASS
EXTRALERT TROUT
PHANTOM RADIATE
ELOQUENCE OSIER
SPRINGCLEANING

Radio Wavelengths

1	1053kHz/285m, 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2	693kHz/433m, 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
				London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 6.00 Andy Peebles. 9.00 Simon Bates. 11.00 Radio 1 Roadshow. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.00 Tony Blackburn. 4.31 Kid Jensen. 7.00 Summer Soul. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Tony Brandon (S). 7.32 David Allan (S). 10.03 Derek Hobson (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) 2.15 David Hamilton (S). 4.15 Much More Music (S). 5.00 *News.* 5.05 *Waggoners' Walk.* 5.20 John Dunn (S) 6.45 Sports Desk. 7.02 Country Club (S). 9.02 Folkweave (S). 9.56 Sports Desk. 10.02 Jim The Great with Jimmy Edwards. 10.30 Star Sound Extra. 11.02 Sports Desk. 11.03 Brian Matthew with Round Mid-*night from Edinburgh, including* 12.00 News and 12.05 am Sports Desk. 2.02-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 *Overture Concert, part 1 (S).* 8.00 News. 8.05 Concert, part 2. 9.00 News. 9.05 This Week's Composer. Martinu (S). 10.00 Music for Cello and Piano recital, part 1 (S). 10.35 Interval Reading. 10.40 Recital, part 2. 11.15 Cricket: England v India, fourth Test Match, including 1.35 pm News. 1.40 A Passage to India (The Greig Tour). 2.00 Lunchtime scoreboard. 6.40 At Home. 7.10 Mozart, Schubert and Schumann piano recital (S). 8.00 Proms '79 from Westminster Cathedral: Poulenc, Honegger (S). 9.45 Unglamorous Night (S). 10.30 Boccherini (S). 10.55 Music In Our Time (S). 11.55-12.00 News.

VHF with Medium Wave above except 6.00-7.00 am and 11.15-7.10 pm as follows: 6.00-7.00 am Open University. 11.15 *Purcell and the English Tradition* (S). 12.10 pm Northern Sinfonia Orchestra, part 1 (S). 1.00 News. 1.05 Northern Sinfonia Orchestra, part 2 (S). 1.50 Roger and Nielsen violin and piano recital (S). 2.30 "Der Fremdenfuhrer" Operetta in three acts by *Ziehrer, Act 1 (S). 3.25 In Short (talk).* 3.35 "Der Fremdenfuhrer, Acts 2 and 3 (S). 4.45 Children's Concert (S). 5.45-7.10 Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming *Today.* 6.25 *Shipping Forecast.* 6.30 Today, including: 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.45 The Bet. 9.00 News. 9.05 Midweek with Desmond Wilcox. 10.00 News. 10.05 Checkpoint. 10.30 Daily Service. 10.45 Morning Story. 11.00 When Men and Mountains Meet (S). 11.45 Listen With Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Quote . . . Unquote (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour 3.00 News. 3.05 Preview of Radio 4 UK. 3.10 On Location. 3.35 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Brain of Britain 1979 (S). 7.00 News. 7.05 The Archers. 7.20 Time For Verse. 7.30 Four Great Chandler Stories (S). 9.00 Perspective: Lord "Rab" Butler in conversation. 9.30 Kaleidoscope from the Edinburgh Festival. 9.59 Weather. 10.00 The World Tonight. 10.30 Let's Talk About Me. 10.55 Best of Fritz. 11.00 A Book at Bedtime 11.15 The Financial World Tonight. 11.30 Unforgettables. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 7.00 Black Londoners. 8.00 Soul '79. 10.00-5.00 am As Radio 2.

London Broadcasting

6.00 am AM with John Perkins and Steve Wood. 10.00 The Brian Hayes Show. 1.00 pm LBC Reports with Max *Miller and Sarah Ward.* 3.00 *Openline* with Claire Rayner. 4.00 LBC Reports with Sue Jameson and Sarah Ward. 8.00 After Eight with Therese Birch. 9.00 Nightline with Jenny Lacey. 12.00 LBC Reports Midnight 1.00 am Night Extra with Tara Jefferies. 4.00 The London Interview with Tricia Ingrams. 5.00 Morning Music.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 Lord George-Brown's Capital Commentary (S). 7.10 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Alan Freeman (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Duncan Johnson's Night Flight (S).

هكذا من الأصل

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. ENGLISH NATIONAL OPERA

COVENT GARDEN.

SADLER'S WELLS THEATRE.

THEATRES

ADELPHI THEATRE. ALBERY. ALDWYCH. AMBASSADORS. APOLLO THEATRE. ARTS THEATRE. ASTORIA. CAMBRIDGE. COLLEGIATE THEATRE. COMEDY THEATRE. CRITERION. DUCHESS. DRURY LANE. FORTUNE. GARRICK. GLOBE THEATRE. GREENWICH THEATRE. HAYMARKET. HER MAJESTY'S. KING'S ROAD. LYRIC THEATRE. MAYFAIR. NATIONAL THEATRE. OLD VIC. PALACE. PHOENIX. PICCADILLY. PRINCE EDWARD. PRINCE OF WALES. QUEEN'S THEATRE. RAYMOND REVUEBAR. ROYAL COURT. ST. MARTIN'S. SAVOY THEATRE. STRAND. VAUDEVILLE. VICTORIA PALACE. WHITEHALL. WINDMILL. WYNDHAM'S. YOUNG VIC.

CINEMAS

Sore

Malcolm Storry and Paola Dionisetti

Leonard Burt

Warehouse

Sore Throats

Howard Brenton's new play is a series of sex fantasies. We begin with Judy, the 39-year-old just-divorced wife of a police inspector on her knees by a bottle of red wine on the floor of an unfurnished flat, Jack, the ex-husband, comes in and slaps and kicks her until she signs a document giving him half the sale-price of their house. (He has promised her all of it.) He leaves for a job in Canada with his new mistres. Just as Judy is vomiting up all her wine, Sally, from the small ads department of an evening paper, comes to rent the flat.

Eighteen months pass. We then find Sally and Judy sharing the flat, still unfurnished but littered with empty bottles, cushions, magazines and so on. They are playing a game about seducing a teenage schoolboy—a practice that Judy actually goes in for, thus losing some of her more portable possessions by theft. While they discuss the possibility of burning their remaining money and living by violent theft. Jack returns with a carry-cot and gives a pathetic account of the child's messy birth on a Canadian prairie after a motor accident. The baby turns out only to be a couple of bricks.

There seems to be no resolution of the situation. Indeed there seems to be little point in the whole exercise. The dialogue, sharpened occasionally by a line or so of soliloquy, is full of detailed references to every kind of sexual kink, and if the grubbier side of sex were not enough to scarify our Puritan minds, we are treated to the sight of Jack's boil bursting all over the back of his neck. (Jack is a police inspector. Mr. Brenton's father is in the police. I hesitate to make a deduction.) As an irrelevant bonne bouche, Judy reads an account in her son's letter, posted somewhere vaguely in Africa, of the ritual severance of thief's hand under Muslim law.

Mr. Brenton must have worked hard to produce a play more offensive than *The Churchill Play*, but he may congratulate himself that he has done so, for *Sore Throats* is not only offensive but dull, which *The Churchill Play* was not. Actually I think *Sore Throats* is the most offensive play I have ever seen, and I am at a loss to understand what the Royal Shakespeare Company is doing with such a piece.

They are lucky to have such strong-stomached players as Paola Dionisetti, Malcolm Storry and Ruby Wax, who play Judy, Jack and Sally. The director is Barry Kyle.

B. A. YOUNG

Albert Hall/Radio 3

Scottish National Orchestra

It was a happy idea to begin the second of the two Scottish National Proms with Debussy's *Marche écossaise*. The actuality would have been a good deal happier for ensemble less loosely managed and orchestral tone firmly placed rather than carelessly spread; even though this is a Debussy lollipop rather than a remarkable absorption of popular melody in the manner of the *Images*, it deserves nicer handling than Alexander Gibson and his orchestra were able on Tuesday to give it.

This was the first of two pieces in the programme owing some debt to the orchestra's native land. Martin Dalby's *The Tower of Victory* was first performed at a Glasgow Musica Nova week in 1973. It is a short (a little over 10 minutes) orchestral fantasy whose palette of colours is selected from the lower-pitched instruments, and which draws from them very attractive blends and contrasts of texture. Textural variation provides the principal, indeed the only source of immediate interest; for the shape and direction of the piece remained obscure to at least one listener in the audience. Perhaps, in a work "about" the complex activities of the imagination, that was the composer's intention.

Discontent with the orchestra grew stronger during the introduction to the Berlioz cantata, *La Mort de Cléopâtre*, which closed the first half—the attack on those electric cross-rhythms was sadly spongy. Then the large, lovely voice of Jessye Norman began to work its spell, and by the time the aria "Grands Pharaons" had been reached, things were in the process of coming right. Miss Norman's soprano could be thought a shade soft-grained for Berlioz, at least for the dramatic recitative torn white-hot from the imagination of the young Berlioz; yet her use of it was so grand, so consistently beautiful, as to allay all doubts.

MAX LOPPERT

Record Review

An Operatic 'Lear'

by RONALD CRICHTON

Reimann Lear. Dernesch, Lorand, Varady, Fischer-Dieskau/Bavarian State Opera Chor. and Orch./Albrecht. Three records in box. DG 2709 089. £15.17

Schoeck Vom Fischer un syner Fru. Lövaas, Laubenthal, Nimsgern/Munich Phil./Kempe. Acanta EA22.823. £4.62

Vaughan Williams Hugh the Drover. Tear, Armstrong, Rippon/Ambrosian Opera Chor./RPO/Groves. Two records in box. EMI SLS 5162. £10.75

Vaughan Williams Hugh the Drover. Extracts (historic recording). Lewis, Davies Sargent. Pearl GEM 128. £3.75

Debussy Pelléas et Mélisande. Excerpts, recorded 1928. Nespoulos, Croiza, Maguenat, Dufranne, Narçon/Truc. Pearl GEM 145. £3.75

Verdi contemplated an opera on *King Lear*. So, in our day, did Britten. Others as well, no doubt, though the *Annals of Opera* have only disgorged one, by Ghislanzoni (1937), succinctly described as "successful in Italy." Now the Berlin composer Aribert Reimann has actually achieved a *Lear*, with a libretto adapted from Shakespeare by Claus H. Henneberg. This was first given last year, in Munich. Max Loppert reviewed on this page the subsequent Düsseldorf production. The Deutsche Grammophon recording, with Gerd Albrecht conducting the Bavarian State Orchestra and the original cast headed by Fischer-Dieskau, who encouraged Reimann (his frequent accompanist at recitals) to write the opera, is based on the Munich performances. One catches a snatch of audience coughing; once or twice the voice of the prompter is heard in the Land of Bavaria. Such details, and an occasional patch of shaky instrumental ensemble, are less important than a generally strong sense of immediacy.

Reimann's previous opera, *Melusine*, was produced 10 years ago by the Deutsche Oper in Berlin, who brought it to the Edinburgh Festival. Though it made a pleasing effect, nothing about *Melusine* suggested, or was likely to suggest, an opera on the scale of Shakespeare's *Lear*. Nor has one come now: Reimann's *Lear* is an estimable, effective, tidy piece of work that should go the rounds of German opera houses which have a baritone with the skill and experience for the title-role. Though the music makes the devil of a noise, the scale is sub-Shakespearian (not so much a question of length as of content). In spite of, and perhaps to some degree because of, the able way Henneberg has pared down the play, but still more because of the slight musical substance, tragedy dwindles to a bloody, melodramatic squabble about succession.

There is a good storm scene with one real trouvaille—a series of sforzando chords in sharp diminuendo, placed to great effect. The orchestral storm before the scene begins makes a fine racket but one is conscious, as one isn't in *Grimes*, for example, that this is a modern equivalent of an old device. On the other hand, the succeeding interlude, with a long, slow melody rising gradually from bass through alto to normal flute, produces a genuine sense of numbed, wounded, uncomprehending grief. Too often elsewhere the serial machine seems to take over, churning out familiar signals—soft, spread background of much-divided strings, collywobbles in the percussion, spluttering brass.

The vocal writing varies from jagged leaps for Regan and Goneril (smoother ones for Cordelia) through speech and *sprechgesang* for the Fool to all sorts of declamation, but especially slow, stepwise ululations, for Lear himself. A little over-schematised, and it is in the voice parts that the weakness mainly lies—a mild rude shock but few surprises, terribly little that sounds inevitable or memorable. Edgar is a high-tenor. Lear in any form needs as much lyricism as it can get, but here such relief is virtually left to Edgar, and to Cordelia in one scene. The potential musical contrast of the Fool's part is almost wasted.

Fischer-Dieskau's command of tragic declamation (with plentiful doses of inflection not in the score) is as impressive as one would expect. Not his fault that the notes he has to sing or wail aren't more memorable. In this music tendency to rant, to produce on syllables and explode consonants, is not out of place. Julia Varady's Cordelia is as touching as the limits of the role will allow. The cold gleam of Helga Dernesch's Goneril is as alarming as it is secure. The threadbare tone of Colette Lorand's Regan undoubtedly captures the character's nastiness however much it tries the ear. Edgar is David Knutson. The actor Rolf Boysen is the Fool. All the names are painstakingly *pronounced in the English way* except for "France," illogically spoken in French.

Also from Munich, equally new to us though half a century older, is Othmar Schoeck's *Vom Fischer un syner Fru*, recorded some years ago for the Acanta label (distributed here at a reasonable price by German Harmonia Mundi) by Rudolf Kempe and the Munich Philharmonic. *Vom Fischer* is the Grimm story of the fisherman who throws back a turbot with magic powers and is told that his wishes will be granted. Unfortunately his greedy, discontented wife wishes for him. Their "pisspot" of a dwelling is accordingly changed to hut and then to castle: the woman becomes King and then Pope. When she asks to become "like God himself" the flatfish draws the line and the couple find themselves back where they started.

Schoeck set the tale as a "dramatic cantata" for stage or concert hall, lasting about 40 minutes. He used variation form, the main theme being worked for the wife's comments on her successive new situations, with interludes (also varied) for the fisherman's increasingly reluctant requests to the turbot. As the wife's demands grow more outrageous, a storm rises at sea, culminating, with her final blasphemy, in a dramatically conceived fugue.

Story and treatment fit one another like a glove. Schoeck's quiet originality pervades this most taking score. As befits a fine song-writer the vocal lines have a master's touch. All allowance made for difference in idiom, they have just the qualities lacking in Reimann's *Lear*. The premiere (Dresden, 1930) was conducted by Busch. It can't, one feels, have been more sympathetic than Kempe's recording, whose excellent soloists are Kari Lövaas, Horst Laubenthal and (as the fish) Sigmund Nimsgern.

Hugh the Drover, the ballad opera by Vaughan Williams written before the First World War but not performed till later, comes in every sense from a different world. Schoeck was Swiss but had the German opera tradition next door. Vaughan Williams, seeking independence, looked right across Germany to Bohemia and *The Bartered Bride*—not even then a recent model. Harold Child's libretto is no good, and no amount of subsequent tinkering by the composer could help. Yet some of the music is irresistible, folk-type tunes flowing with deceptive ease, beautifully set on voices and orchestra. One can discount, on records, the dramaturgical feebleness.

The Royal Philharmonic under Sir Charles Groves play as if they love the lyrical pages but have understandable doubts concerning the dramatic ones. Robert Tear and Sheila Armstrong are hero and heroine—he too intelligent and analytical a singer to be at home in such direct music, she in fine voice. Michael Rippon is the bad boy, Jack. The cast contains a number of well-known names—Helen Watts, John Fryatt, Terence Sharpe, Henry Newman, Robert Lloyd among them.

The Pearl record of excerpts from the 1928 production of *Hugh* conducted by a lively young Malcolm Sargent makes fascinating comparison (incidentally the music from Act 2 is given in a different version). By and large the earlier voices are better placed, emission smoother, diction even clearer. Tudor Davies has both the robustness and the sweetness for Hugh, but Mary Lewis sounds pale beside her modern counterpart.

The *Pelléas* excerpts are of particular interest because the Golaud is Hector Dufranne, the creator of the role (he sang it until 1939!). Dufranne was a Belgian, a fine high baritone of the forward, French type. Maddeningly Golaud's crucial Act 4 scene is not there, though we hear the end of it, with Arkel's "Si j'étais Dieu." The Arkel, Armand Narcon (he also lasted long) is fine. Claire Croiza of the immaculate vowels sings Geneviève's letter scene. The lovers, both idiomatic, are Marthe Nespoulos and Alfred Maguenat. Georges Truc conducts. More than a curiosity: essential for Debussyans.

Edinburgh Festival

National Ballet of Cuba

Nothing if not eclectic, the second programme by the Cuban Ballet on Tuesday night in the Tent ranged from *Apollo* to a Spanish dance version of *Blood Wedding*. Both works told of the emotional vitality of the Cuban dancers — the *Apollo* had none of the austere clarity we now associate with the New York City Ballet's performances, but it was an interpretation persuasive by the very fact of its dramatic tensions. The Apollo was Jorge Esquivel, rejoicing in the *plastique* of the role, presenting a figure whose sometimes roughness of presence — the young god still ardent and unsure of his identity — was a proper focus for the attentions of the Muses. As Terpsichore and Polyhymnia, Josefina Méndez and Loipa Araújo showed the merits of the Cuban style, its temperamental richness and also its technical resource; the staging, indeed, for all its old-fashioned air, was coherent, convincing.

Loipa Araújo, remembered for her adorable Swanhilda in Roland Petit's *Coppélia* a couple of years ago, was revealed in *Blood Wedding* as an artist of eloquent power. The production is by Antonio Gades, and I thought it excellently judged. It uses the vocabulary of the Spanish dance, and opts for intensity of miming to explore the drama in terms of commendable simplicity. Araújo, darkly aggrieved, was Leonardo's wife; another fine Cuban ballerina, Marta Garcia, was the Bride; José Zamorano and Francisco Salgado the rivals, Leonardo and the Bridegroom. All four interpretations had the right hard edge of emotion, and Gades makes theatrical capital from showing the men's duel to *the death in slow motion*. With a brilliant abstract setting by Francisco Nieva, *Blood Wedding* is that rarity, a Spanish ballet that is both Spanish and dramatic.

The central section of the programme comprised three more obviously Cuban works, two by one of the company's choreographers, Alberto Méndez, and one by the Soviet dancer and teacher, Azary Plisetsky. This *Canto Vital* (to the adagietto from Mahler's fifth symphony) is a message about the making of order from primitive chaos, and relies for its effects upon the energetic activities of four male dancers. It is not an exportable piece, and neither is Méndez' *Rara Avis*, nature-notes to baroque music. Méndez' *Tarde en la siesta* seems rather like dances at a Cuban gathering, with four women indulging their longings to the salon pianism of Ernesto Lecuona. It suggests yet again an essential quality about the Cuban style: its dynamic force and its emotionalism. The Cuban dancers are full-blooded, fully-engaged artists, and their vitality of feeling gives their dancing a verve and drive in dynamics that compels our respect for its warmth of humanity if not always for its sophistication of means.

CLEMENT CRISP

Gerard Murphy as Chinchilla and David Hayman as Vatza

Royal Lyceum, Edinburgh

Chinchilla

by MICHAEL COVENEY

It is over two years since Robert David MacDonald's extraordinary play was first seen at the Glasgow Citizens, and it is now revived as part of this year's Festival tribute to Diaghilev. The piece is no idle hagiography, however, nor is it even explicit about the identity of the characters. Anyone slightly informed on the subject, though, will know that the man wrapped in a bulky black coat with a grey streak in his dyed black hair is Diaghilev, and that his entourage picking over the past on the Venice Lido includes approximate impersonations of Gabriel Astruc, the impressario who first brought the Russian Ballet to Europe; of Grigoriev, the loyal and long-suffering *régisseur*; and of Leon Bakst.

Vatza is, of course, Nijinsky, and Maxim is Massine, who replaces Nijinsky as the impressario's lover and on stage surrogate. An imperious confidante, Mimi, may incorporate elements of Pavlova and Rambert. A clue to the point of the evening is provided by the presence in the cast of the author, as Gabriel and of Giles Havergal, the Citizens' artistic director, as Ilya, or Grigoriev.

The Citizens has long been our most individual and original theatre company, and *Chinchilla* is an uncompromising statement of its aesthetic stance. The play is quite brilliantly designed and directed by Philip Prowse. Whereas, two years ago, the production marked off the scenes of recollection and prophesy from those set in the present, Mr. Prowse now entrusts the jump-cutting process to our own imaginations, bathing the whole show in a fluid rhythm of light, musical quotation (chiefly from Stravinsky's ethereal *Apollon Musagète*) and, above all, design.

The stage, brilliantly white and populated by large mirrors, exercise bars, and half-naked beach boys, is effortlessly transformed from a representation of the Lido, to a fraught rehearsal room, to a hotel interior. The grouping of the actors is masterful and particularly striking in its use of upstage diagonals and circular motion.

Although scenes are concocted around the internal row over whether Vatza should or should not appear to be masturbating at the end of *L'Après Midi d'une Faune* and a discussion of how to kick off Debussy's *Jeux* (with a ball bouncing on to a brightly lit stage), the real business of Mr. MacDonald's relentlessly aphoristic text is to pinpoint, with much glee, the jealousies, quarrels and personal rivalries endemic to any co-operative artistic venture.

As Chinchilla, Gerard Murphy has grown incomparably in stature since he first tackled the part. It is a vocally resourceful and extremely proud performance of a man stating his beliefs, as he says, "with ardour and style and impeccable bad taste." Around him, the company is in sparkling form, with not a single weak link.

The mock classical element in the production is enforced by the posing and limbering of the muscular young chorus, one of whom stutters out a key passage from Socrates' *Phaedo*, just before Chinchilla dies with a hallucinating, shrouded Vatza clutched in a homosexual *pietà*.

Not many British companies could have followed last week's triumphant Georgians on to the Lyceum stage and emerged with credit. The Citizens demonstrate yet again that they can live, and flourish, in company with the world's best.

Arts news in brief

The British Art Show, a major survey of current painting and sculpture, will open at the Mappin Art Gallery in Sheffield on December 1, closing on January 27, 1980, with visits to Newcastle and Bristol to follow.

The exhibition will be the most ambitious tour of current art ever undertaken by the Arts Council, with over 100 artists represented in an exhibition of more than 250 works. Its sheer size necessitates its being split into two sections in Newcastle and Bristol.

William Packer, art critic to the Financial Times, was asked by the Arts Council at the beginning of 1977 to undertake the selection. He gave up his teaching to travel the length and breadth of Britain, visiting artists' studios and seeing exhibitions. To date he has travelled over 10,000 miles. His brief has been to assess what is the best of current British art, selecting not just the artists but also the works to be shown.

The Arts Council hopes to mount such exhibitions once every four years.

The exhibition will be at the Laing Art Gallery and Hatton Gallery in Newcastle from February 15 to March 23 next. At Bristol it will be seen from April 18 to May 24 at the Arnolfini Gallery and Royal West of England Academy.

★

To coincide with the eighth Congress of the International Association for the History of Glass in London (September 18-25), the British Museum is today opening an exhibition entitled *The Golden Age of Venetian Glass*, which will continue until November 11.

The exhibition traces the story of Venetian glass from its early manifestations in the 13th century.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Thursday August 30 1979

Policy for agnostics

THE REVOLUTION in economic policy which the election of Mrs. Thatcher has confirmed is generally discussed in terms of the triumph of monetarism over previous Keynesian error. These terms will surely puzzle any *future historian of British policy*, who will observe the familiar fact that the most irresponsible episode in our monetary history was presided over by a Conservative Government, and monetary discipline subsequently introduced by a Labour Chancellor. Indeed, Ministers defending present financial policies like to stress how little the key targets have been changed from those set by Mr. Healey.

Incomes policy

The labels are of course misleading; and anyone seeking to understand the real revolution which is taking place could do worse than read the commentary on the new policies from the National Institute for Economic and Social Research. This reviews our central problems and the proposed solutions to them in a manner which is not so much hostile as baffled. It has long treatments of two particular problems, wages and monetary policy, which show an almost total agnosticism.

The National Institute seems to have no clear view of how wages are determined in the absence of a formal and effective incomes policy. It has little sympathy either for a monetarist approach, stressing the difficulty of selecting any measure of money which can be taken as a reliable guide to demand and credit conditions, or any control which will not distort the measure, and providing persuading evidence that these doubts are partly shared in the Bank of England.

Textbooks

These general doubts can be summed up in a phrase: the National Institute is sceptical about the operation of market forces. It does not believe that wage settlements are responsive to the pressure of demand or the level of unemployment. It does not believe that the demand for credit is responsive to the level of interest rates, or that the rate of inflation responds to *changes in monetary growth*, except in a loose and highly unpredictable fashion. It is not surprising that holding these views, it regards present policies with some dismay; for the central theme of Mrs. Thatcher's policies is that given time, market forces *will* work, and according to the *classic theories*. The world, in her view, is more like the textbooks than sophisticated forecasters have come to believe.

Given these beliefs, the policy preferences of the National Institute are not surprising. Demand management, which remains its central theme, in its review of the world economy as much as the domestic economy, is not a sign of neo-Keynesian arrogance, but simply the best that can be done in a *system which* is seen as likely to drift on in perverse cycles of boom, slump and inflation unless corrected from the centre. The market mechanisms which would make the system inherently self-stabilising have been studied and found doubtful.

What cannot be understood from this point of view is the idea that a Government which believes in market forces may well be unconcerned about nasty phases of the cycle, or even welcome them. A sharp *downturn under competitive* pressure may be the only market mechanism to defeat cost inflation. Bankruptcy is the most effective check on unsound lending.

Changes

It is true that the current Conservative belief in the market is as much a matter of faith and politics as the Socialist belief in planning. Both sides admit that time is needed to prove that their approach works, and complain when governments or policies change that the time was inadequate. It is possible that experience in the time available will confirm the National Institute's sceptical views, and that the agnostics will be back with their incomes policies and growth targets.

Meanwhile, the National Institute review does provide one piece of evidence for market forces, and two hints for their better deployment. The evidence is a brief study of the large structural changes in the British economy in the last two decades, which certainly owe more to market forces than to official plans. The hints come first in the study of monetary policy, which inadvertently makes a strong case for the kind of rather radical reform of the *system now under study by the* authorities; and secondly in a summary of a new Institute study of the effect of changes on company structure on competition. Competition policy may prove the most difficult challenge to a Government which *seeks to harness the market.*

Mergers and the capital market

THE NEW Competition Bill, which should become law around Christmas, is directed solely against abuses by firms which are already entrenched in their markets. Mergers are widely believed to be one of the principal reasons why so many of Britain's markets are dominated by a small number of firms and it is natural to ask whether competition policy should be strengthened to prevent further concentration.

Conglomerates

That "horizontal" mergers between direct competitors tend to reduce competition is widely acknowledged, though countervailing advantages are often claimed. But whether conglomerate mergers, between companies in different industries, also have anti-competitive effects is hotly disputed. Yesterday's National Institute Economic Review outlined a study by Mr. M. A. Utton which attempted to analyse the effects of conglomerate mergers on competition.

Not surprisingly the issue is too complicated to permit unequivocal conclusions. The *share of the 200 largest firms in* Britain's manufacturing output has roughly doubled since 1949, so that "concentration in the United Kingdom is probably higher than in any other country of comparable size." Conglomerate mergers have played an important part in this process. But they do not appear to have had much effect on the concentration of individual industries, since most large firms have remained strongly committed to a small number of major activities, even when they have diversified in a minor way over a host of other industries.

Furthermore, Mr. Utton's evidence does not suggest that a large firm entering a competitive market by takeover normally *tends to wipe out small* competitors and produce an oligopoly. Although there are plenty of examples of predatory pricing by dominant firms, these are usually found in markets which are already highly concentrated. A firm which is intent on abusing the advantages of its size by undercutting the competition is more likely to do so in a market which it has already monopolised than in a new and riskier environment. On balance Mr. Utton's statistics suggest that conglomerate mergers may actually sharpen competition in the economy because they frequently involve new firms breaking into markets which are already highly concentrated.

These observations appear to run counter to the thinking of anti-trust authorities in several countries. The German Cartel Office, as well as the U.S. Federal Trade Commission and Justice Department have frequently attacked conglomerate mergers on the basis of the "deep pockets theory." This assumes that a diversifying giant, frequently an oil or tobacco company, which takes over a major firm in a new market, is likely to play havoc with the competition, by cross-subsidising its new subsidiary.

The British Government, on the other hand, is sceptical about introducing a presumption against mergers of any kind into the law. Retention of a "neutral" case-by-case approach to mergers was recommended by a committee of civil servants last year and Mr. Utton's findings appear to vindicate an open-minded attitude, at least as far as conglomerate mergers are concerned.

Taxation

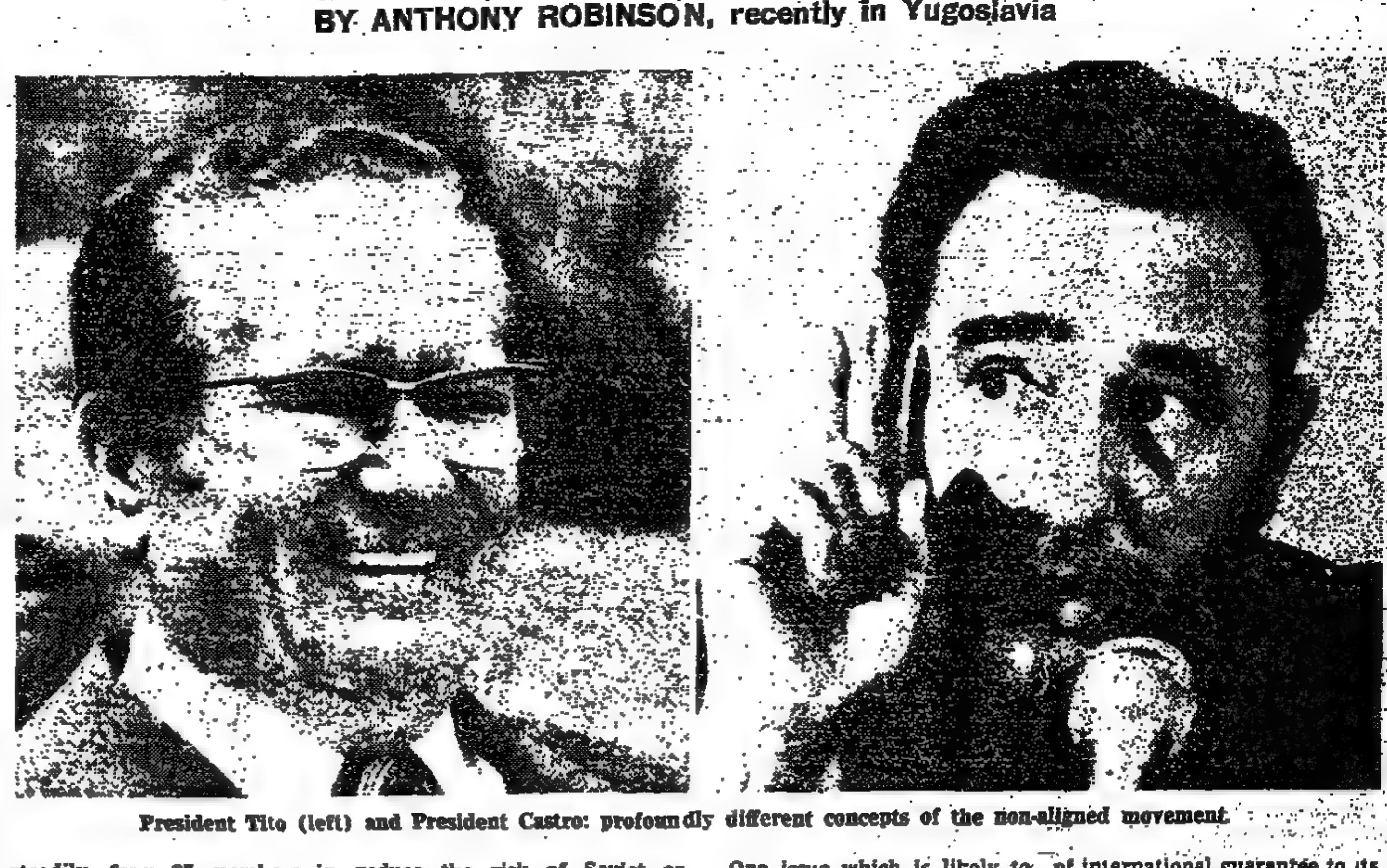
What does need examination is the bias towards expansion by takeover which the tax system has produced. The 200 largest companies which now account for over 46 per cent of Britain's manufacturing employment are, to some extent, usurping the stock market's power to allocate capital to the industries where it can be most profitably employed.

The tax system strongly favours companies which retain profits for use in takeovers *instead of distributing them to* shareholders, who could invest them in independent firms. It also forces investors and small businessmen to seek capital gains rather than income. While a vigorous competition policy is essential, changes in the tax system could make as big a contribution to the growth and survival of smaller companies.

Divisions among the non-aligned countries as the Havana conference gets underway

Tito and Castro compete for the soul of the Third World

BY ANTHONY ROBINSON, recently in Yugoslavia



President Tito (left) and President Castro: profoundly different concepts of the non-aligned movement

THE fact that two profoundly different and opposed concepts of the future of the non-aligned movement are held by two of the world's most charismatic political leaders, President Josip Broz Tito of Yugoslavia and President Fidel Castro of Cuba, ensures that the non-aligned summit meeting starting in Havana on Monday will see a fierce battle for the soul of the Third World's most important political grouping.

Behind the Cuban and Yugoslav differences lie two radically different historical experiences in their relations with the Soviet Union. For Cuba, the Soviet Union is the leader of a bloc which stepped in to succour and support a revolution in the face of U.S. hostility and a U.S.-inspired embargo. For Yugoslavia, the Soviet Union is the power which expelled it from the Comintern for ideological non-conformity and national independence in 1948 and which has unceasingly aimed to reassert its hegemony ever since.

Cuba's experience has made it the champion of a vision of the non-aligned movement which sees the Soviet bloc as the "natural ally" of a Third World which has thrown off the colonial yoke but which has yet to achieve either the political weight or the economic prosperity it so ardently desires.

Yugoslavia, however, has been waging a relentless diplomatic campaign for years to persuade members of the movement that it helped to create that non-alignment makes sense only if the movement stays genuinely *independent of the two major power* blocs—both in its own interest and in the interest of peace and detente in the world at large.

The clash of these diametrically opposed views at Havana promises to make this sixth summit meeting the most *crucial since the movement* was founded by Tito, Nasser and Nehru at Belgrade in 1961.

Cuba is in a position to bring these differences to the forefront of the meeting because it managed, after surmounting considerable opposition, to secure for itself the position of host to the summit and, with it, chairmanship of the movement's key co-ordinating bureau for the next three years. Cuba fulfils one of the main pre-requisites of membership by not being a member of any military bloc, but its close links with the Soviet Union and military intervention in Africa have raised strong doubts as to whether it can be considered genuinely non-aligned without stretching the meaning of the word to an absurd degree.

In order to head off what it sees as a clear bid by Cuba to dominate the movement, President Tito and the entire Yugoslav diplomatic establishment have spent the last year tirelessly canvassing support for preserving the movement's genuine independence.

The movement has grown steadily, from 25 members in 1961 to 93 in 1979—if one includes the six new members, including Pakistan and Iran, which will take part for the first time at the Havana summit and *the two "liberation" movements,* the Palestine Liberation Organisation and SWAPO. Growth has added to the movement's weight—but also complicated both its organisation and cohesion. Adherence to the principles of peaceful settlement of disputes and *non-intervention* has also not been enough to prevent the proliferation of conflicts between member states.

Controversial problems

The conflict between Algeria and Morocco over the future of the Western Sahara, the struggle between Ethiopia and Somalia; the Vietnamese invasion of Kampuchea and the question of whether the Pol Pot or the Hang Samrin regimes should represent the country at Havana; as well as the PLO's and Arab States attempt to expel Egypt from the movement, all pose delicate and controversial problems for the Havana summit.

At the same time, anti-colonialism, once a major plank in the non-aligned movement's ideology, has lost much of its initial *raison d'etre* with the progressive liquidation of the former colonial empires. Only Rhodesia and South Africa *remain.*

The outcome of the recent Commonwealth conference in Lusaka has been particularly well received in Belgrade. The London conference is scheduled to start when the Havana summit should already be over, but the prospect of a solution which would greatly reduce the risk of Soviet or Cuban intervention in Southern Africa is one which should serve considerably to cool down the Havana debate on Southern Africa. Meanwhile, the *movement now gives increasing attention* to what it sees as the neo-colonialism of the existing world economic structure. In many ways the non-aligned movement has become a political platform for UNCTAD's "Group of 77."

In spite of Cuban insistence that the Socialist bloc is the non-aligned movement's natural ally, there has been a growing tendency within UNCTAD to question the trading policies and aid contributions of the Socialist bloc. The comfortable Soviet argument that, as a non-colonialist power it has no obligation to help remedy colonialism's economic legacy is no longer accepted by many developing countries damaged by Soviet fishing in their territorial waters, by the non-transferability of Communist currencies, the East bloc's adherence to world market prices, and the low level of its economic aid.

For all its verbal support and willingness to supply arms and support liberation movements, especially where these *further the Soviet Union's own* global military and strategic interests, the Soviet Union's inability, or unwillingness, to supply much-needed economic assistance has been noted by a growing number of Third World countries. But this does not mitigate the bitterness against what is seen as the rapacity of the West's trans-national corporations, the consistent refusal to raise aid to internationally-agreed levels and what is felt to be a world market system which puts raw material producers at a permanent disadvantage.

One issue which is likely to receive considerable attention at Havana, is the energy problem and the growing gap between the oil-rich and the *non-oil members of the movement* itself. The economic debate is likely to be heavily laced with requests for oil and credits on concessional terms. The need of the non-oil countries to maintain good relations with the Arab oil countries will clearly have a bearing on Arab-*inspired moves to expel, or at* least suspend, Egypt from the movement because of its separate peace with Israel.

Yugoslavia once again has taken the lead in arguing against expulsions and has taken *heart from the refusal of the* Organisation of African Unity to expel Egypt from its own midst. It is clear, however, that the Egyptian question will face many of the movement's members with an awkward choice they would prefer not to have to make. Yugoslavia itself, which has its own energy problem, is well aware of the dilemma but still hopes that Egypt will remain within the fold. Yugoslavia argues that the movement's validity as a forum for the mediation of disputes between members will be seriously compromised if a precedent is set by the expulsion of Egypt or any other member.

Drawing on experience

In taking this line, Yugoslavia is once again drawing on its own past experience. Having lived for years in the fear of Soviet intervention, it sees the continuing faithfulness of the non-aligned movement to the original principles as a kind of international guarantee to its own independence—as well as that of the movement's members at large.

These factors explain Yugoslavia's attitude to the other vexed problem facing the Havana conference—the question of which government should represent Kampuchea. Representatives of both the Pol Pot and the Hang Samrin Government have been invited to Havana. Yugoslavia is leading the fight to install the Pol Pot representative (who has also laid claim to a seat in the co-ordinating bureau itself) on the grounds that accepting the Hang Samrin representative would amount to legitimising the invasion of the country by a foreign power, Vietnam.

Here again, Yugoslavia and Cuba hold diametrically opposed views. In the last resort, however, some Western diplomats in Belgrade believe that Yugoslavia will reluctantly accede to compromise solutions such as the suspension of Egypt and a temporarily empty chair for Kampuchea, provided that it gets its own way on what President Tito regards as the absolutely vital issue of genuine independence from the two superpower blocs.

As host, Cuba has laid a trump card in its hand—the right and responsibility to prepare the draft communiqué on which the summit's work will be based. The first draft, which was delivered to members well in advance, is believed to be unacceptably biased towards the Cuban view of the movement. Yugoslavia and other members have been busy formulating their own proposed amendments to the Cuban draft. On the strength of the proposed amendments, Cuba has to prepare a revised draft which faithfully reflects the consensus of views. But completion of the revised draft and its distribution has been delayed until the last moment and is bound to be the object of close scrutiny and probably fierce horse trading both at the conference itself and in the meetings at ambassadorial and foreign minister level which will take place in Havana this week prior to the full summit.

The movement reaches decisions, or rather adopts resolutions, by consensus, not by majority voting. The Cuban view of the movement's future *is clearly a minority one* backed by a dozen or so of the Soviet Union's allies and client states. With the prospect of three years as chairman of the key co-ordinating bureau in front of it, Cuba's chances of pushing its own line to the point of splitting the movement seem rather unlikely. Compromises will surely be made and Yugoslavia seems confident that the principle of genuine non-alignment will be reaffirmed at Havana and the unity of the movement preserved.

But the struggle to keep the movement non-aligned in the original sense will continue well after the dust settles in Havana. Yugoslavia and its allies are seeking to limit Cuban influence and "democratise" the movement's structure. They are pressing for an enlargement of the co-ordinating bureau from the present 25 to 30, or even more members and want the chairman to be flanked by three vice-presidents representing each of the three main geographical regions—Africa, Asia and Latin America.

Participation of members

They also want to introduce new *regulations allowing members* to participate in all bureau decisions in which they declare an interest. Regular annual meetings at foreign minister level will also be instituted to ensure that the bureau's work is kept under *close scrutiny and control.*

The Cuban bid for leadership is not the first such challenge that the movement has faced. Algeria had similar pretensions during its three-year chairmanship after the 1973 Algiers summit. But then this sprawling, unwieldy, ideologically and geographically heterogeneous movement showed that it was not in a mood to be led by the nose.

This time the Cuban challenge is more serious. But by putting his own personal prestige on the line at Havana and by insisting on "democratising" the movement's organisation, President Tito and supporters of genuine non-alignment hope to ensure that for the next three years it is not reduced to merely a megaphone for the rumbustious oratory of Fidel Castro and his friends.

MEN AND MATTERS

The count who saw it all

"What about the combined Channel hang glider and swim record then?"

Next week we shall be reading and hearing a great deal about the beginning of the Second World War. It began, we shall be told, with Neville Chamberlain's broadcast declaration, on that hot and sunny September 3, 1939. But the date may be too subjective. At a recent history conference in China, for example, it was argued that the world war *really* started on July 7, 1937, with the Japanese invasion of the Chinese mainland.

A far more tenable case may be made for saying that the war began on September 1, the day German tanks began to roll across the Polish border. That is certainly the view of Count Edward Raczynski, who was then Polish ambassador in London.

The count, now 88, is still here, living in Belgravia. I talked to *him* yesterday about the war years, during which he was Foreign Minister for the Free Poles. "Forty years ago I was an actor on the world's stage," he says in his immaculate English. "Yet not one of the major ones."

Despite such modesty, he has personal recollections of all the war leaders and is probably the last surviving eye-witness of many historic meetings. It was Raczynski who signed with Lord Halifax the Polish-British treaty of August 25, 1939—a despairing effort to halt Hitler's war plans.

Today he will be holding a Press conference in London, as "President of the Polish Republic in Exile." Then he will attend a convention of Polish exiles.

The tall count can look back to an aristocratic childhood at the turn of the century, so it is scarcely surprising that for him the war years seem almost like yesterday. In Who's Who he still lists ski-ing and skating as two of his recreations, and gives as one of his addresses 5 Krakowskie Przedmiescie in Warsaw—the city he has not seen since the 'Thirties.

Golden day

The temperature was in the high seventies when I strolled along Bond Street to look at Asprey's display of Christmas presents. Inside, it was just the usual stuff, sapphire and *diamond bracelets for £28,000* and lobster tongs down at the cheap end for £22.60.

What really put the show in perspective was a wall tapestry which dominated by virtue of its size (14 ft by 7 ft) and its lavish use of gold thread. No hint of Christmas there—it was a woven map of the Middle East, commissioned by a Saudi Arabian notable, with a vignette of Mecca much in evidence: price, £70,000.

I gathered from Michael Murton, of the firm's Middle East department, that about half of the turnover comes from sales to wealthy Arabs. A quick-moving line is 18-carat gold falcons, for £20,000 apiece. I commented on a three-inch high silver dog. "Only £5,000," said *one of Murton's colleagues,* casually.

It seems that the sheikhs treat such ... and quite a few come back for repair only a few weeks after being air-freighted to the Middle East. I trust that whoever buys it will be gentle with a solid gold tea service, first sold to an Indian maharajah in 1946. Maharajahs having gone downhill somewhat since then, the service has been sold back again. How much will it go for this time? "A very great deal of money," I was told in hushed tones. In the Asprey's context, that must mean a few million barrels of oil.

Seeing red

Outside the cosy enmities of Smith Square, the factions on the far-left fringe are—like medieval theologians — perpetually at daggers drawn. I should have realised that when I mistakenly noted yesterday that Micheal Kidron of Pluto Press was a leading member of the Workers Revolutionary Party. "The WRP," he says "is beyond the pale. It's a million miles away."

Kidron is much aggrieved to be associated with the WRP's Trotskyist Ayatollah fans and Vanessa Redgrave. These days, even his association with the Socialist Workers Party (within the pale) is not all that strong. Moreover he says he only joined Pluto after it severed its ties—never financial ones—with the SWP. Kidron also will not comment on how much Pluto lost as a result of the American distributors' bankruptcy but *does not endorse the £50,000 I* suggested.

Having been impelled to come to grips with the niceties of far-Left politics, I feel a check-list might be in the national interest. Here are names to remember: The WRP; the SWP; the International Marxist Group (Tariq Ali); the Revolutionary Communist Group (formed by expelled members of the International Socialists, forerunners of the SWP). The RCG in turn expelled some of its members in 1976, and these formed the Revolutionary Communist Tendency. The Workers League was also formed by ex-IS members. Not to be ignored either are the Revolutionary Workers Party (Trotskyist) and the former WRP members who set up the Workers Socialist League. Incidentally, keep a look-out for hostile-looking people sporting London Spartacus Group badges if associating with any of the above.

The revolution should be a quite fascinating spectacle, when it comes.

Next—square eggs

As any battery hen could tell you, modern farmers have little patience with Nature's method of doing things. One perennial irritant is the way vegetables and animals come out in inconvenient shapes, making packaging expensive. The tendency for fruit to be spherical is probably the worst problem. But will we soon have eaten the last round apples?

A Tokyo designer called Tomoyuki Ono (possibly a relation) recently applied some thought to the watermelon, exhibiting the fruit of his ingenuity in a Tokyo gallery. His hexahedral fruit caused a mild sensation. The new-style melon is now in commercial production—local farmers produce less exciting but more practical cubic melons by placing small unripe fruit in six-sided plastic boxes with steel frames. Not only are they the answer to the packaging expert's dreams, they also command a higher price.

I look forward to hearing of the first straight bananas; and surely something more can be done to make chickens conform to a few, not unreasonable, specifications?

Off the peg

Sign outside a beauty salon in Reno: "Divorcing your husband? Our Beautiful Body and Personality course will make you feel like a new man."

Observer

FINANCIAL TIMES SURVEY

Thursday August 30 1979

Mexican Oil and Gas

Mexico's sudden re-emergence as an important oil exporter is likely to have a significant effect on world markets in the 1980s. The rapid increase in the nation's proven reserves of oil and gas is attracting a steady stream of would-be buyers in search of crude supplies from one of the few oil-producing countries now willing to boost exports.

Major increase in proven reserves

By Kevin Done and Hugh O'Shaughnessy

MEXICO IS hardly a newcomer to the international oil scene, but its re-emergence as an important force in the world oil market, after nearly two decades in which it languished as a net importer of crude, has occurred with surprising speed.

Extravagant claims have been made for the role it could play over the next decade in compensating for the limitations on crude oil production that are being introduced by members of the Organisation of Petroleum Exporting Countries, which have borne the brunt of supplying the world's incremental energy needs over the last 20 years.

Together with the North Sea and Alaska, it is making a notable contribution to the growth of world oil production outside the OPEC bloc, and it is clear that it has the potential to emerge as one of the world's more significant oil exporting countries over the next decade. Following a relatively short period of intensive exploration its proven reserves have been boosted to levels, that would have seemed impossible even five years ago.

As a result rather imaginative suggestions have been made to the effect that Mexico could develop by the end of the 1980s into another Saudi Arabia, now the world's dominant crude oil exporter with production running, at least temporarily, at 9.5m barrels a day.

Such comparisons take little account, however, of the broader state of the Mexican economy and the daunting social problems the country faces. The present administration is aware of the damage as well as the benefits that could accompany a too rapid rise in oil revenues. It appears determined to try to control the inward flow of petrodollars to allow time to diversify Mexico's economic base.

The level of reserves that Mexico is rapidly establishing could give it the foundation for developing a production capacity of as much as 10m barrels a day by the end of the next decade.

But such technical appraisals give little weight to the extreme sense of nationalism that attaches to the Mexican oil industry. Mexico was the first country in the world to take over its oil industry and expropriate the assets of the international oil companies. (The industry was nationalised in 1938, nearly 25 years before OPEC was founded.) Arising from this historic action a deep distrust has grown up in some quarters of even a comparatively low level of oil exports, which arouse suspicions that the administration is selling off Mexico's national heritage.

In addition, given the strong fears that the Mexican economy could not tolerate too sudden an inflow of petrodollars, the higher that world oil prices rise, the less will be the crude oil output necessary to meet the Government's targets for growth.

The administration of the present Mexican President, Sr. Jose Lopez Portillo, which is now nearing the half-way point of its six-year term, has declared on many occasions that petroleum revenues should ideally be used for the benefit of the whole population. The oil industry is not labour intensive and the failure to use the newly won oil wealth to create jobs could cause serious social unrest.

Revenues

"The economy's ability to absorb petroleum revenues will be the most restrictive factor in determining production levels, especially for export, and is uppermost in the minds of top Mexican Government officials," a U.S. Senate report declared earlier this year.

Equally, President Lopez Portillo warned recently that oil production would not be increased beyond the country's ability to "digest" the resulting income.

Estimates exist, particularly in the US, suggesting that Mexican exports as high as 4.5m to 5m barrels a day could be technically feasible from the early 1980s. More realistic assessments show that a developing Mexican economy is likely to be capable of using revenues from exports of no more than 1.8m to 2.5m barrels a day by 1985.

Already, inflation is taking off again. The forecast at the beginning of the year was for an increase in 1979 of 12-13 per cent, but it appears unlikely that it will now be less than 20 per cent. Unemployment, together with under-employment, is estimated to be as high as 50 per cent. Mexico's oil revenues could be as much as $4bn this year and in 1980 they will be far in excess of this figure, causing fears that inflation will be driven even higher.

There is also concern that the strengthening of the peso will make Mexican exports less competitive. This could hit the manufacturing sector hard and create a rather lop-sided economy dependent on oil as its only export of importance.

Mexican oil production is now running at more than 1.6m b/d, compared with the average for last year of 1.3m b/d and a total output of 900,000 b/d in 1976 when the Portillo administration took office. The target is to reach 2.25m b/d by the end of next year and the Government has made no commitment beyond that date. Output at this level will bring Mexico into the same league as substantial members of OPEC such as Nigeria, Kuwait and Venezuela. In an interview with the Financial Times, Sr. Jose Andres de Oteyza, the Industry Minister, indicated that the Government's ceiling could rise to 2.5m b/d in 1981-82 but no formal commitment has yet been made.

The higher production levels are not being reached without difficulty and for much of the year Mexico's crude oil customers have been suffering cuts in supplies of up to 40 per cent of contract quantities as a result of the failure by Pemex (Petroleos Mexicanos), the Mexican State oil company, to reach its production targets. It has suffered from production difficulties at the oil fields, but these have been exacerbated by congestion at the ports—which has held up the export loading of crude and the importing of equipment—and the inadequacy of the rail network in moving much-needed pieces of equipment quickly around the country.

Mexico's rapid emergence as a growing oil exporter has been thrown into sharp focus by the continuing turmoil in Iran and the dramatic reduction in crude supplies from that country. A growing line of potential buyers has streamed into Mexico City in recent months in search of new supplies from a secure source.

Mexico has welcomed the attention for the opportunity it has offered for diversifying its customer base away from the U.S.—since U.S. companies are still taking about 85 per cent of all Mexican crude exports—but it has been a frustrating time for would-be clients. Under the present ceiling, all the country's surplus output has already been sold to the end of 1980 and there are a number of Governments that also have letters of intent committing the first 200-300,000 b/d that comes available, when this limit is raised.

The foundation for the steady increase in production has been the rise in the country's proven reserves of oil and gas, which has been one of the most extraordinary phenomena seen by the oil industry in recent years. Previous regimes have always issued what were considered rather conservative estimates of reserves and maintained a very secretive attitude.

Within weeks of President Lopez Portillo taking office, however, official proven reserves of hydrocarbons (Mexico uses a combined figure for oil and gas) were raised from 6.34bn barrels to 11.16bn barrels. Reserve figures are at best only indicative, but Mexico changed its technical definitions to bring them more into line with international practice and this caused the first upward revision. By the end of December, 1977 proven reserves had risen to 16bn barrels and by the end of 1978 the figure had increased to 40.1bn barrels together with 44bn barrels for probable reserves and 200bn barrels for potential reserves.

Of the latest reserve figures published, crude oil accounts for 25.6bn barrels, condensate for 2.8bn barrels and natural gas for 11.8bn barrels (58.9 trillion cu ft). The figures have been questioned in some quarters, but they have been examined by the same U.S. consultants used by much of the international oil industry. The intensive drive for new exploration was launched in the early 1970s, when Mexico was still a net oil importer and was suffering from the oil price rises in 1973-74.

Pemex, which has a total monopoly on all oil operations within Mexico, was greatly aided in its new surge of activity by the great strides that have been made in developing exploration and drilling techniques and equipment over the past decade. A more sophisticated approach has allowed it to return to old oil-producing areas and make finds of massive importance, such as the Chicontepec Field, which it claimed earlier this year to be one of the largest oil deposits in the Western hemisphere.

Information

Much of the mystery outside Mexico about the recent progress of its oil and gas industry arises from a basic ignorance. Since 1938 the international oil industry has been more or less banished from Mexico—except as a customer for crude or an occasional supplier of equipment. For more than 40 years Pemex and its technical adviser, the Mexican Institute of Petroleum, have slowly been developing their own technology and for many years have been virtually self-sufficient.

Entry into a new era of expansion has brought with it a need to raise international finance however, and to learn from outside experience, particularly in developing the more challenging offshore oil discoveries. At least to a limited extent Pemex is having to come in from the cold and join the international oil community.

Its management, which was already stretched to meet the demands of the very ambitious

CONTINUED ON PAGE VIII

MEXICO'S PLACE IN THE WORLD OIL LEAGUE

	Estimated proven crude oil reserves (billion barrels at January 1, 1978)**		Crude oil production (million barrels a day—1978 average)†		% change 1978/77
Saudi Arabia	(1)	165.7	(3)	8.3	−10.3
USSR	(2)	71.0	(1)	11.7	+ 5.9
Kuwait	(3)	66.2	(10)	1.8	+ 4.7
Iran	(4)	59.0	(4)	5.2	− 8.3
Iraq	(5)	32.1	(5)	2.6	+ 4.3
Abu Dhabi	(6)	30.0	(13)	1.5	−12.8
United States	(7)	28.5	(2)	8.7	+ 5.5
Mexico	(8)	26.0*	(14)	1.3	+22.9
United Kingdom	(13)	16.0	(16)	1.1	+40.9

(Figures in brackets give world ranking.)
* As at December 31, 1978. Source: Pemex.
** Source: Oil and Gas Journal. Reserve figures are only indicative.
† Source: BP Statistical Review. (Current Mexican production at 1.6m b/d, UK at 1.7m b/d; current world ranking, Mexico, 12th; UK 11th.)

Surge in onshore exploration

MEXICO'S RE-EMERGENCE as an oil producer of world importance stems from major onshore discoveries, made in the early 1970s, in the steamy, tropical swamp lands of the southern states of Chiapas and Tabasco.

This new oil province, based on the Reforma fields, enabled it to overcome 17 years of dependence on imports to meet rapidly rising domestic demand, and, by the end of 1974, the country was again able to produce a small surplus for export. Last year the southern fields accounted for just over 82 per cent of total Mexican production.

The finds revitalised Pemex's activities and led to an extraordinary surge in exploration and development activity in most parts of the country.

Last year Petroleos Mexicanos, the Mexican state oil company, completed 83 exploration wells — 68 on land, 10 offshore and five in lagoon areas — with a success rate that was as high as one in three, far above the international average and as good as the North Sea when exploration drilling there was at its most spectacular in the early 1970s. In addition, last year 223 development wells were completed.

The exploration programme over the five years from 1978-82 is being accelerated in order to meet the target of completing a total of 1,212 exploration wells both onshore and offshore.

Exploration work is being carried on in 26 of Mexico's 31 states and has borne rapid results in meeting Pemex's primary target of boosting Mexico's total of proven reserves of oil and gas. There have been some technical changes in the way the country calculates its reserve figures, but the increases have nevertheless been dramatic.

Since the end of 1975, Mexico's proven hydrocarbon reserves (the total of crude oil, gas liquids and natural gas) have risen by 534 per cent to a level of 40.2bn barrels at the end of 1978. Further increases are likely at the end of this year when account is taken of exploration success during 1979.

Sedimentary basins, the geological formations that have the potential for bearing oil or gas, cover more than three-quarters of the landmass of Mexico, and according to Pemex geologists only about 10 per cent of this area has been closely explored. This leaves about 70 per cent of the country still to be explored in detail, and in addition there are exploration prospects with great potential on the Continental Shelf off both the Gulf of Mexico and the Pacific coasts. Already proven offshore fields in the Gulf of Campeche are playing a big role in boosting total reserves and the first oil production from this new region began to flow in June.

The major excitement onshore in recent months has been caused by Pemex's announcement of a major new field in the east-central part of Mexico in the region of Tampico and Misantla on the coastal plain of the Gulf of Mexico. Pemex claims that the Chicontepec Field has vast potentially recoverable oil reserves, which make it one of the largest accumulations of hydrocarbons in the western hemisphere. Reserves in place are estimated at no less than 106bn barrels, of which Pemex claims that some 17.6bn barrels can be recovered. (The UK's total of proven recoverable oil reserves in discoveries to date is 10.2bn barrels.)

Growth

The oil will not be won easily and this massive field can only be developed through the drilling of several thousand production wells, each individually producing little more than about 100 barrels of crude oil a day. But development of the field on such a scale could bring substantial industrial growth and employment to an area of the coastal plain that has previously been neglected and which at the moment is only scarcely populated with small towns and villages.

The story behind the delineation of the Chicontepec Field is typical of much of Mexico's recent exploration history onshore. The presence of hydrocarbons in the area had been known for many years, but their real potential had never been understood because of the lack of sufficiently sophisticated exploration and production techniques.

Over a period of many years more than 1,200 wells had been drilled in the Chicontepec area for the purpose of exploring potential oil deposits at fairly deep levels. Because of the limited technology available at the time, however, and because of incomplete geological knowledge of the area, shallower oil discoveries that were made, were not exploited as it was assumed they *would be* unprofitable.

As part of the Government's drive to re-evaluate Mexico's oil potential a new study was made of the geology of the Veracruz coast in the old Tanpico - Misantla producing region and the existing data were re-interpreted. The result was the discovery of a so-called "paleo-channel," a gigantic underground canyon, formed many millions of years ago. This "channel" was filled with alternating layers of clay and sandy deposits, according to Pemex geologists, which have stored enormous amounts of hydrocarbons. The canyon covers an area of about 1,275 square miles, stretching to a length of 76 miles. It has an average width of 15½ miles.

Several new wells were drilled to confirm the new geological data and many of the wells which had been drilled in earlier years were re-worked. There are now about 433 wells, all of which are in production. The deposits of hydrocarbons in the Chicontepec Field are located at relatively shallow levels from 3,000 to 6,000 feet and the thickness of the oil bearing rocks is only about 200 feet.

The oil will be difficult to extract. The porosity and permeability of the rock formations are poor and so the productivity of each well will be very low from only 50-100 barrels a day.

The wells will have to be drilled close to each other, which is why Pemex considers that it could take as many as 16,000 wells to fully develop the field. It will also need newly developed techniques for fracturing the underground rock formations to exploit the field commercially.

The development of Chicontepec will be a massive task. The total of 16,000 development wells envisaged is greater than the total number of wells drilled in the whole of Mexico (15,895 at the end of 1978) since nationalisation of the oil industry in 1938.

The way in which Chicontepec will eventually be developed is still far from certain. Pemex is aware that the project will have *an important* impact on both the national and regional economies and is therefore moving carefully to explain its implications. According to one outline plan it has put forward, however, it is suggesting a 13-year development period with the purchase of 30 drilling rigs during each of the first four years. A total of 16,083 production wells would be drilled. At peak output the field could be producing 740,000 barrels a day of crude oil and 1.2bn cubic feet a day of associated natural gas.

The cost of developing the field will be far higher than for a conventional oil field, either onshore or offshore. Earlier this year Pemex said the plan could cost more than U.S.$8.7bn to implement. During the 13-year development period, however, cumulative production could amount to as much as 2.6bn barrels, worth at today's prices $58bn. The 13-year period would cover only the development of the field and Pemex is certain that production would continue from the area for several decades.

The development of conventional oil fields, such as those in the Reforma area in the southern states of Chiapas and Tabasco, depends on a small quantity of highly productive wells. Chicontepec on the other hand will depend on the drilling of a high number of very low productivity wells.

As a result, Pemex should be able to plan the development in *careful stages in an attempt* to match its needs for equipment and labour with the ability of local industry to meet its demands. Crude oil output from Chicontepec has not been included under the Government's present production ceiling. (The quality of the oil varies widely from heavy (22 degree API) to very light (47 degree API) crude, but the average appears to be relatively heavy at about 30 degrees API (Mexico's main export crude is 34 degrees API).)

Production

The major part of existing onshore production comes from Mexico's southern oil producing states, which last year accounted for 83 per cent of output. Much of this was from just three fields, Antonio Bermudez (541,041 barrels a day), Cactus (121,197 b/d) and Sitio Grande (67,533 b/d). The Poza Rica producing region contributed about 11 per cent of total output, while the remaining 6 per cent came from fields in the north of the country.

The Reforma area is certain to stay at the centre of Mexican *oil production* for many years and large parts of this prolific oil province remain to be developed.

A total of 92 rigs were working in the area by the beginning of 1979 and it is possible that the Reforma fields could sustain a production level as high as 3.5m b/d when the province is fully developed. (Productivity per well averages more than 5,000 b/d.) Whether such a high output is actually reached in the region will depend finally on political and economic rather than technical decisions about Mexico's ability to absorb the very high revenues that would result.

More than 100 structures have been identified in the Reforma area of which 19 are already in production. Secondary recovery programmes using water injection are being introduced at some of the main fields to maintain or enhance production levels. At the same time, many of the new discoveries have a very high ratio of gas to oil (as much as 7,000 cubic feet per barrel) *which is adding* considerably to Mexico's gas reserves.

The Reforma area is limited to the south by the Chiapas mountain range, but exploratory work in this province in the area of Tuxtla Gutierrez and near the border with Guatemala have indicated attractive prospects.

Apart from Reforma, Chicontepec and the Gulf of Campeche, the other area attracting most attention from Pemex is the Sabinas basin, located around the city of Monclova.

As many as 85 structures have been identified by seismic work in the area. Drilling last year indicated that the basin is rich in gas, with productivity averaging 8m cubic feet a day per well. The finds could play an important part in supplying the needs of industry in the north of Mexico, and could eventually provide extra volumes for export to the U.S.

Exploration drilling is also under way in Baja California, on Mexico's Pacific coast, with wells being sunk both on and offshore.

On the Pacific Continental Shelf, offshore from Sinaloa, Nayarit, Oaxaca, and Chiapas, initial seismic work has indicated the potential for hydrocarbons in the area, but no drilling has yet taken place.

Kevin Done

Dynamic growth in the petrochemicals sector

BACKED BY abundant, low-cost reserves of both oil and gas, Mexico's petrochemicals industry has become one of the most dynamic sectors of the economy. Mexico is already the largest petrochemicals producer in Latin America, but by the early 1980s it should also be emerging as a significant power in the world market.

The present Government embarked on an ambitious $3bn investment programme in 1977 in order to boost petrochemicals production to the level of self-sufficiency by 1980. With a large and growing population the industry has a big domestic market to serve, but it is also aiming at world export markets and by 1982 at least 20 per cent of production could be going to North America and overseas.

Many of the major oil producing countries in the developing world have set their sights on adding value to oil and gas production by transforming these raw materials into petrochemicals, but Mexico has done more than most to achieve the goal.

An expansion plan involving the construction of no less than 60 plants was set in motion in 1977 and a further ten plants have since been added to the programme. During 1977 and 1978 15 projects were completed, but this still leaves another 55 now under construction.

The basic petrochemicals industry is wholly under Government control with Petroleos Mexicanos (Pemex) holding a 100 per cent monopoly. The sector reserved for the State includes all the basic petrochemical building blocks, such as ethylene, propylene and benzene. These products, which come directly from the processing of oil and natural gas liquids (ethane, propane and butane), are used in the manufacture of a wide range of products from plastics and detergents to synthetic fibres and paint.

Pemex's monopoly goes beyond the primary building blocks, however, and includes the most important bulk plastics, such as polyethylene and polypropylene together with several other chemicals that are considered to be key raw materials in the national economy. In total, Pemex has reserved for it the exclusive manufacture of about 45 basic petrochemicals.

The manufacture of substances that are derived from these products is open to the private sector, but even in this so-called "secondary" petrochemicals sector foreign companies are restricted to taking only a minority 40 per cent stake in any production plants.

When the present hectic building programme is finally completed, Mexico's petrochemicals production capacity will have quadrupled in little more than five years and by 1982 there should be an installed capacity for producing more than 18m tonnes. From 1970 to 1976 petrochemicals became firmly established as the most dynamic sector of the whole Mexican economy and since 1977 it has been second only to the main petroleum sector. From 1970-78, the chemicals industry grew at an average annual rate of 11 per cent in real terms, compared with an average GNP growth of 4.5 per cent a year.

The chemical industry accounted for about 5.2 per cent of Mexico's Gross National Product last year, with total output worth U.S.$ 4.3bn. Of this basic petrochemicals accounted for 11.5 per cent of sales and secondary petrochemicals for 48 per cent.

MEXICAN PETROCHEMICALS INDUSTRY

	Volume ('000 tonnes) 1970	1975	1977	1978	Value (million U.S.$) 1970	1975	1977	1978
PRODUCTION								
Basic petrochemicals	1,931.9	3,634.9	4,200.2	5,788.1	65.7	218.5	425.7	500.0
Derivative petrochemicals	1,596.1	2,803.0	3,477.1	3,824.8	292.9	882.5	1,650.0	2,397.0
Total	3,527.0	6,437.9	7,677.3	9,612.9	358.6	1,101.0	2,075.7	2,797.2
EXPORTS								
Basic petrochemicals	66.0	47.8	30.3	700.2	2.0	9.2	4.2	66.8
Derivative petrochemicals	36.0	21.5	50.8	115.0	4.1	10.0	47.9	54.6
Total	102.0	69.3	81.1	815.2	6.1	19.2	52.1	121.4
IMPORTS								
Basic petrochemicals	389.5	414.0	612.7	485.4	35.6	79.0	217.1	161.8
Derivative petrochemicals	174.2	685.6	594.0	625.4	44.7	144.9	220.2	282.6
Total	463.7	1,099.6	1,207.7	1,110.8	80.3	223.9	437.3	444.4
DOMESTIC CONSUMPTION*								
Basic petrochemicals	2,486.1	4,001.1	4,782.6	5,229.0	92.9	288.3	638.6	685.0
Derivative petrochemicals	1,734.6	3,491.9	4,041.0	4,149.0	345.4	1,016.9	1,840.4	2,079.0
Total	3,920.7	7,492.3	8,824.6	9,378.0	438.3	1,304.2	2,479.0	2,764.0

* Domestic consumption = domestic production + imports − exports.
Source: Petroleos Mexicanos.

Increase

With so many plants coming on stream the volume of basic petrochemicals production is rising rapidly and increased by 37 per cent last year to 5.8m tonnes. According to Sr. Jorge Diaz Serrano, the director-general of Pemex, output should rise quickly again this year to about 7.4m tonnes. Several new products should be manufactured in sufficient quantities to allow some surplus to be sold on export markets to try to reduce the industry's trade deficit.

When the six-year petrochemicals investment programme was first planned, the total costs were estimated at about U.S.$2.2bn, but as a result of the increase in the number of plants to be built, along with rising costs for equipment and construction the total investment now exceeds $3bn.

The main concentration of building work is at two new petrochemical complexes in the south-east of the country at La Cangrejera and Morelos. Existing plants are being expanded, too, however, at sites such as Pajaritos, Cosoleacaque and Texmelucan and an entirely new petrochemicals complex is being planned for a site in Tabasco province, close to the oil town of Villahermosa.

When all these plants are on stream in the early 1980s Mexico will have a production capacity in most basic petrochemicals which will rival that of many developed countries.

Mexico is already the most self-sufficient chemicals producer of all the developing countries. It will have an installed capacity to produce 4m tonnes a year of ammonia (the UK has a current capacity of 1.75m tonnes); 1.5m tonnes of ethylene (the UK could have 2.5m tonnes a year by 1984/85); 1.2m tonnes of aromatics, such as benzene, toluene and paraxylene; 340,000 tonnes of low density polyethylene; 200,000 *tonnes of high density* polyethylene; 180,000 tonnes of styrene; 270,000 tonnes of vinyl chloride monomer (used in the manufacture of the commodity plastic polyvinyl chloride); 280,000 tonnes of acetaldehyde; 330,000 tonnes of ethylene oxide and 175,000 tonnes of acrylonitrile.

During its formative years in petrochemicals Pemex usually followed the cautious policy of *building small plants* from which technical experience could be gained. But since the 1973-74 oil crisis it has thought far more ambitiously and most of the plants now under construction are being built to world-scale proportions. The 500,000 tonnes a year ethylene plant that is due to come into production next year will more than double the capacity of the existing four plants. Two similar plants are due to follow in the early 1980s.

As the new giant complexes are commissioned many of the earlier, small-scale plants, which are now uneconomical, can be shut down.

Inevitably, the task of bringing so many new plants into production in such a short period has created many problems. It would tax the resources of most companies, and Pemex is no exception. There have been shortages of several basic chemicals in Mexico this year due to a drop in output from several existing Pemex plants. To some extent Pemex has augmented faltering production at home with increased imports. Output of styrene in the first quarter of the year fell by about a third, for instance, causing shortage of the chemical during April.

By May, however, styrene purchases overseas appeared to be on a sufficient scale to meet the domestic plastics industry's needs. Other chemicals have been in shorter supply, particularly acrylonitrile and ethylene oxide.

Pemex was scheduled to bring on stream a new 50,000 tonnes a year acrylonitrile plant at the beginning of the year in Tula, with which it had hoped to bolster falling output at its older plant at Cosoleacaque.

But the start-up of the new plant has been delayed for several months. As a result, at least one large customer, Fibras Sinteticas, which uses acrylonitrile to manufacture acrylic fibres, had to cut its output by nearly half, because of the shortage of feedstocks.

Other Pemex chemicals customers, buying products such as ethylene oxide, have also had to restrict manufacturing operations, and local consumers of this product are sceptical about Pemex's ability to start up its new 100,000 tonnes a year plant at La Cangrejera before 1980.

All these building delays can only further postpone the date at which Mexico reaches self-sufficiency and will necessitate a higher level of imports in the meantime. According to Sr. Jose Luis Garcia Luna, Pemex manager of petrochemicals development, Mexico last year imported basic and derivative petrochemicals worth U.S.$444.4m, compared with exports worth only $121.4m, a net trade deficit of $323m.

K.D.

Rapid progress in offshore projects

THE SEARCH for oil and gas off the coasts of Mexico has inevitably been overshadowed in recent months by the disastrous blow-out of the Ixtoc 1 exploration well in the south-east corner of the Gulf of Mexico. Alongside the desperate attempts to seal the well and cope with the mounting pollution, however, Pemex, the state-owned oil company has also been pressing ahead quickly with the development of earlier, neighbouring finds in the Gulf of Campeche, an area which is promising to become one of the world's most prolific offshore oil provinces.

Mexico has been producing oil offshore since 1959, but in the past it has limited such developments to extensions of existing onshore production areas in relatively shallow water. There are three producing regions close inshore along the 1,200-mile eastern Continental Shelf, Arenque, Faja de Oro and Santa Ana, which together average production of about 40,000 barrels a day of crude oil, less than 3 per cent of Mexico's current output.

These operations will quickly be dwarfed, however, by the development plans for the Gulf of Campeche, which will mark Mexico's arrival as a major offshore oil producer. The first oil started flowing from the Cantarell complex of fields in June at about 20,000 barrels a day, but by the end of next year Pemex is aiming to increase production to some 500,000 b/d, the limit of the capacity of the existing pipeline. A second phase of the development could boost production to at least 1m b/d in the early 1980s.

The new Gulf of Campeche oil province is being developed at a hectic pace. Although the oilfields are located beneath rather shallower waters than the North Sea, it is still presenting Pemex with one of its most severe technological challenges to date. Serious seismic work was not started in the area until 1972, but this preliminary exploration work identified more than 60 well-defined structures, which held the strong promise of yielding hydrocarbons.

The Gulf of Campeche extends over a sedimentary basin of nearly 3,500 square miles, of which the Cantarell complex accounts for some 270 square miles. Exploratory drilling started two years after the initial seismic work, and in 1975 the first well, Chac 1, struck oil at a depth of 11,480 feet in a rock formation of Palaeocene age. One of the attractions of this oil province, however, is that good prospects exist for finding oil and gas in deeper formations as well in the Cretaceous and Jurassic strata.

A total of 15 wells have since been completed offshore leading to the discovery of seven commercial oil and gas fields. The Gulf of Campeche is destined to play a major role in both boosting Mexico's crude oil production and in raising its stated proven reserves. Pemex has admitted to a figure of some 3bn barrels of proven reserves for its offshore fields, but this is certain to rise and could climb substantially if, as expected, Mexico's crude oil reserves are up-graded again before the end of the year. The one consolation of the Ixtoc blow-out is that this latest exploration well has discovered yet another major field, for which reserves in the region of 800m barrels have been suggested.

Pemex's short-term drilling target is to identify up to 10bn barrels of proven reserves offshore, but senior engineers are already indicating that a higher total could emerge after a further four-five years of intensive exploration activity. A total of 50 exploration and production wells are planned for offshore Mexico during 1979.

Attention was first drawn to the Gulf of Campeche during the 1940s and 1950s when shrimp fishermen from the village of Ciudad del Carmen reported oil seepages along the sea floor. The accounts eventually reached a petroleum engineer called Cantarell, who encouraged Pemex to begin exploration in the area. His name has since been given to the first complex of producing fields.

The series of oil reservoirs that have been located lie about 40-50 miles to the north of Ciudad del Carmen. They form part of a basin which extends from the onshore Reforma fields in the provinces of Tabasco and Chiapas northward to an area in the Gulf of Mexico about 225 miles from Ciudad del Carmen. The major part of the structures that have been mapped lie in water depths ranging from about 115-250 feet, which mean that development of the fields can be carried out much less expensively than the oil reservoirs that are being exploited in the North Sea. Exploration wells on the Akal and Nohoch structures revealed a thickness of oil-bearing rock of more than 3,280 feet. (Several of the North Sea fields are being developed with "pay zones" of only a few hundred feet.)

Quality

Results of the early drilling work in the Gulf of Campeche suggested that the crude to be produced in the area would be rather heavy with a high sulphur content. The apparent quality of the oil, with a specific gravity of about 24 degrees API, made Campeche crude less attractive than most of Mexico's onshore production. But the latest offshore finds have generated a new wave of excitement in the oil industry as they have discovered crude of a much higher quality. Finds like Abkatun and the ill-fated Ixtoc well have tested a light, low-sulphur crude (with a gravity of 31-34 degrees API) which has much more in common with the onshore fields.

The scheme to develop the Cantarell fields was launched from the design stage in 1976, but such as been the pace of the development that by the end of last year the first platforms were already being floated out. The project will eventually involve the installation of more than 30 offshore platforms, of which 23 will be for drilling, another five for production and the rest for accommodation. About half of the installation work will be completed by the end of 1979, when 16 platforms will be in place, according to Sr Jorge Diaz Serrano, the director general of Pemex. Four platforms were in place by the of June, from each of which a total of 12 production wells will eventually be drilled.

The reservoirs that are being developed in the first stage of the Cantarell project are collected around the Akal and Nohoch discoveries. (All the structures mapped by the initial seismic work have been given Aztec names.) A maximum of 161 production wells could be drilled, but the initial development programme calls for at least 92 wells to probe the 5 Akal and Nohoch structures. The Cantarell complex is likely to be extended in the early 1980s when the Chac 1, Chac 2, and Abkatun finds, which are presently being delineated, are also brought into production. Before these fields can be developed, however, the Government will have to raise its present oil production ceiling of 2.25m barrels a day for total onshore and offshore output, and the extra flow of oil will also necessitate the building of a second pipeline.

At present oil is being brought ashore from Campeche through a single 100-mile, 36 in diameter pipeline to a landfall at Dos Bocas, near the town of Ciudad del Carmen. This site is being developed as a major new crude oil export terminal with storage capacity for 11m barrels, but for the moment Cantarell crude is piped further inland, where it is integrated into the onshore oil pipeline network. Because the present Campeche crude output is much heavier than Mexico's main export grade—Isthmus—it is likely that most of the offshore output will be refined in Mexico rather than exported.

The development of the Cantarell fields is severely testing Pemex's management capabilities, and the blow-out at Ixtoc is clearly stretching resources to the breaking point. The onshore headquarters for both operations is the small fishing town of Ciudad del Carmen, on

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Desperate attempts to seal the Ixtoc blow-out

THE BLOW-OUT at the Ixtoc exploration well in the Gulf of Campeche at the beginning of June has become one of the world's biggest-ever oil disasters. The scale of the accident has even surpassed last year's sinking of the Amoco Cadiz tanker in the English Channel.

For seven weeks from June 3, when the well first went out of control, oil was gushing from Ixtoc at the rate of 30,000 barrels or more than 1m gallons a day together with 15m cubic feet a day of gas. Desperate attempts to seal the well from the top eventually succeeded in slowing down the flow to an estimated 20,000 barrels a day on July 23, but by then pollution from Ixtoc was already stretching in vast broken patches across the Gulf of Mexico.

Losses

The loss of the crude alone has cost Pemex, the Mexican State oil company, about U.S.$50m and the cost of the operation to try to shut down the well and to deal with the mounting oil pollution has added extra costs of some $42m. Pemex has estimated that the bill for dealing with the blow-out, including the recruitment of specialist personnel, the drilling of relief wells, and the hiring of oil pollution equipment from around the world is increasing at the rate of about $500,000 a day.

Of the 20,000 barrels a day that have gushed from the well for much of August, Pemex has claimed that about 10,000 b/d has been burned into the atmosphere and that a further 5,000 b/d has evaporated. About 1,000 b/d is being picked up by a fleet of emergency vessels in attempts to scoop the escaping oil off the surface of the sea once it has been corralled inside floating booms.

The future of an important part of Mexico's fishing industry is clearly under threat as the pollution borders important oyster beds and shellfish breeding grounds. From one vulnerable stretch of coastline, Pemex itself has moved thousands of recently hatched turtles of a rare species already under threat, and has taken them to more sheltered waters in river estuaries.

The real impact on the ecology of the Gulf will not be known for many months, but the visible pollution already covers many hundreds of square miles with some of the oil fetching up in small tar balls as far away as the beaches of South Texas.

The problem of controlling the widely dispersed patches of the various slicks has been worsened by the particular characteristics of the oil. Instead of floating on the surface, some of the oil has been drifting along in globules at depths of up to 40 feet, well below the shallow booms being used to try to collect it.

As was shown by the eight-day blow-out at the Ekofisk Field in the North Sea two years ago, equipment for dealing with oil pollution in the open sea is still at a fairly rudimentary stage of development. The oil companies end up relying much more on the natural recuperative powers of the sea to digest the growing quantities of crude oil which are being spilled into it around the world.

Chemicals have also been used to try to disperse some of the more concentrated parts of the oil slick near the scene of blow-out, but as with previous serious oil pollution accidents it is being suggested that the chemicals are as dangerous for the marine ecology as the oil itself.

The blow-out at Ixtoc, 58 miles to the north of the fishing town of Ciudad del Carmen, has had important repercussions within Mexico and has raised fresh doubts about the pace at which the whole oil industry is being developed. It has thrown a particular cloud over the future of Pemex's charismatic director-general, Sr. Jorge Diaz Serrano, who has been talked of as a future presidential candidate.

In a country as nationalistic as Mexico it has also led to questions over the degree of foreign involvement in the domestic oil industry. The rig, which was working on the fateful Ixtoc well was under contract from Sedco, one of the largest U.S. drilling companies.

Sr. Diaz Serrano has made clear that the use of some foreign expertise and equipment in the development of Mexico's burgeoning offshore oil reserves is inevitable, but his statements have failed to allay completely public fears about foreign participation in Mexico's oil industry.

Matters have been further complicated by the fact that Sr. Diaz Serrano was a founder member of the Mexican drilling company, Permargo, which contracted in the Sedco rig. This fact alone has raised many questions in the Mexican Press over Pemex's contracting policy. But the director-general said recently that he had sold all his shares in the company and had severed any connections with it in October, 1975.

The main hope for controlling the blow-out lies in the drilling of two relief wells to the same depth as the existing well. When they reach the target depth, mud and cement can be pumped down with the hope that this will be sucked up into the Ixtoc well, where it will set hard and seal off the flow of oil and gas. This is a long process, however.

The first relief well was begun on June 11, and is unlikely to be completed before the second half of September. The second relief well will not be finished before the beginning of October.

K.D.

Plenty of would-be buyers

MEXICO HAS the potential to emerge in the later 1980s as one of the world's major oil exporting states outstripping even Iraq and Iran. By the end of next year, the country will already have established itself as one of the more important oil producers with output on a scale that will rival several members of the Organisation of Petroleum Exporting Countries such as Kuwait, Libya and Venezuela.

For the moment, however, the Government has only committed itself as far ahead as the end of 1980 with the formal target of exporting 1.1m barrels a day (a barrel contains 35 Imperial gallons) during the second half of the year.

All this additional export oil, which will become available gradually over the next 12 months as production increases, has already been committed to new and existing customers under long-term contracts. But other would-be buyers of Mexican oil have hardly been deterred by the fact that they will have to wait until 1981 at the earliest for new suppplies to come on the market.

A growing line of potential customers, ranging from the Heads of State of some of the world's leading oil-consuming countries to the chairmen of the major international oil companies, have streamed into Mexico City in recent months in search of secure supply contracts for the future. Their presence is a vivid reminder of the dramatic change that has overtaken the fortunes of Mexico's oil industry during the 1970s.

From 1957 until the second half of 1974, oil production was unable to keep pace with rising domestic industrial demand, and Mexico actually became a net importer of crude oil. The discovery of the vitally important Reforma oil fields in the southern states of Chiapas and Tabasco in the early 1970s transformed the industry's prospects, however, and by the second half of 1974 Mexico was again producing a surplus of crude allowing it to return to export markets.

During the first six months of 1974, Mexico was still having to import 33,884 barrels a day of crude oil, but by the end of the year it was exporting 60,000 b/d and six months later the total had doubled to 120,000 b/d. Last year exports averaged 365,000 b/d an increase of just over 80 per cent compared with 1977. An equally impressive rise is forecast for 1979 with the target set at an average of 672,000 b/d.

In arranging new customers for its burgeoning exports, Mexico has been over-ambitious, however and has over-sold its available supplies for this year. Port congestion, delays in getting equipment to the oilfields and production difficulties forced it to cut contract supplies to customers by up to 40 per cent from April to June this year.

The allocations have been eased to about 30 per cent in the third quarter of the year and Pemex is hoping to build up supplies to the full contract quantities during the last three months of the year.

Exports are currently running at about 550,000 b/d, some 100,000 b/d below the original target for August. Of this total the U.S. is taking 85-86 per cent, Spain has a contract for 60,000 b/d, and Israel for 45,000 b/d.

Several new contracts have been agreed for next year as Mexico seeks to diversify its markets with the higher level of exports. By the end of next year, Spain will be receiving an extra 100,000 b/d and a similar deal has been agreed with Compagnie Francaise des Petroles (Total), the French oil company.

Deliveries

Both contracts will begin from January 1, 1980, but will only build gradually to the full contract quantity. A small supply of 20,000 b/d has been agreed with Petrobras, the Brazilian state oil company, also from January 1, and a total of up to 200,000 b/d has been earmarked for Japan. No contract has yet been signed with Japan, and only minor deliveries could begin within the 1.1m b/d export ceiling.

Additional preliminary contracts—50,000 b/d to Canada, 50-70,000 b/d to Sweden and a further 50,000 b/d to Spain—could only be fulfilled if the Mexican Government raises the production ceiling above 2.25m b/d in 1981.

Several countries have attempted to set up counter-trade deals with Mexico, which would guarantee some access to Mexican markets for their manufactured goods in exchange for buying Mexican crude. But oil is currently a seller's market, and Mexico has no need to resort to such deals which could restrict the scope of its import purchases. In a similar vein it is showing little interest in the various crude oil exchange deals that have been proposed, preferring to deal directly with final customers.

For the future the level of Mexico's oil exports will be determined chiefly by the ability of the economy to absorb the rapidly rising oil revenues. Estimates from outside the country have suggested that Mexico has the reserves and could develop the technical capacity to be exporting as much as 4.5m-5m barrels a day in the early to mid 1980s. But more realistic projections of the economy's ability to use the higher revenues indicate a level of exports of no more than 1.8m-2.5m b/d by 1985, rising to a maximum of perhaps 5m b/d by 1990.

Mexico could scarcely have chosen a more auspicious period to return to world oil markets. The turmoil in Iran and the 10-week halting of all crude oil exports from that country demonstrated to the oil-consuming countries the fragility of the long supply lines from the Middle East. Countries and oil companies eager to gain firm contracts from non-OPEC sources looked to Mexico as one of the few oil producing countries in the world that was actually increasing output and which at the same time could offer the prospect of secure supplies.

Inevitably, Mexico's major market for its crude oil, as for most of its exports, is the U.S. This year about 85 per cent of its crude sales are being made to the U.S. for a group of more than 14 companies, including sales to the U.S. strategic reserve. Petroleos Mexicanos (Pemex), the Mexican State oil company which is responsible *for all crude oil trading, is trying* to diversify its markets and has talked ambitiously of trying to reduce America's overall share in its oil exports to some 60 per cent. It has been eagerly pursuing new markets in Europe and the Far East, but for countries outside the western hemisphere, Mexican crude is an expensive buy.

Traditionally, Mexico has based its crude oil price on the delivered price in the U.S. of crudes of similar quality from the Middle East. Mexico's so-called Isthmus export crude blend has the same specific gravity (34 degrees API) as the major Gulf export crudes, Arabian Light and Iranian Light.

Because it is so much closer to the U.S. market, however, *than major exporting states such* as Saudi Arabia and Iran, it can afford to charge a premium for its crude and still remain competitive, because its transportation costs are so much lower.

As a result, at the beginning of the year Mexico was charging $14.10 a barrel for its crude, compared with Saudi Arabia's price of $13.34 for its Arab Light and Iran's price of $13.45 for Iranian Light. Such a premium is still competitive in the U.S. market and Mexico is unwilling to drop its price for sales to more distant countries in the Far East or Europe.

America is the natural market and as long as Mexico refuses to accept any economic penalty by selling elsewhere at more competitive prices, the U.S. appears certain to maintain its position as the dominant buyer. According to Sr. Juan Aizpuru, Pemex's director for foreign trade, the U.S. is still expected to be taking up to 75 per cent of Mexico's crude oil sales when the export ceiling of 1.1m b/d is reached at the end of next year.

Mexico is unlikely to seek to become a member of OPEC in the foreseeable future, but, like other non-OPEC oil-producing states, such as the U.K. and Norway, it is happy to follow its lead in setting higher prices.

Prices

Mexico has more than kept pace with the general OPEC rises and when Saudi Arabia began to fall behind other OPEC members earlier this year in increasing prices, Mexico decided to follow the front-runners such as Iran. As a result it raised its crude price to $17.10 a barrel at the beginning of April, and following the last wave of OPEC increases it pushed the price of Isthmus crude up to $22.60 from the beginning of July. Its present price compares with the $18 a barrel that Saudi Arabia is now charging for Arabian Light and Iran's price of $22 a barrel for Iranian Light.

Mexico recognises that it has no interest in trying to undercut OPEC prices. In a major speech late last year, Sr. Jose Lopez Portillo, the Mexican President, accepted that Mexico's hydrocarbon reserves had given it "considerable leverage on a world-wide scale," but he warned that the Government would always seek to give "raw materials their just value."

The pricing policy is still flexible, however. At times of over-supply Mexico has been willing to drop its price slightly to hold on to its market share. In response to the temporary glut of crude oil supplies on the world market in the first half of last year Mexico lowered its oil price by 30 cents to $13.10 a barrel and was then quick to raise prices again as supplies tightened towards the end of the year.

Its present credit terms of 60 days are rather more generous than those offered by Saudi Arabia (30 days), but according to Sr. Aizpuru, the terms will be reviewed later this year and could well be shortened for the fourth quarter — "if conditions are ripe."

K.D.

Offshore

CONTINUED FROM PREVIOUS PAGE

the tropical island of Carmen, which is bursting at the seams as it tries to deal with the sudden influx of oil personnel. Some Pemex technicians sleep in tents on the beaches at Carmen, because accommodation in the town is hopelessly inadequate.

Although conditions offshore in the Gulf of Campeche are not as hostile as in the North Sea, many of the companies that have pioneered new technology in the UK and Norway are looking to Mexico as an obvious market into which to expand.

Their opportunity could come when Pemex moves into deeper water in the 1980s, but for the *moment work that cannot be* carried out in Mexico itself, has chiefly been subcontracted to the U.S. Construction of the offshore platforms for Cantarell has been a case in point. Brown and Root of the U.S. was awarded contracts for 10 of the structures, which are being built at Houston, Texas. Four other platform contracts have gone to Fimsa (Fabricaciones y Montaje), a branch of the largest engineering company in Mexico, and two others have been awarded to Bossnor, a joint venture between a Mexican and a French company.

Dutch and Norwegian offshore supply companies have also gained a small foothold, usually through some form of joint venture, and there are signs finally that one or two UK companies could also be making progress with contracts under discussion for the organisation and control of onshore supply bases and supply boats.

Pemex is the bastion of nationalism in an intensely nationalistic country, but its senior executives are aware that at least some offshore technology will have to be imported from overseas. This knowledge, coupled with the fact that the state oil company is seeking to diversify its purchases away from the U.S., could open up markets for European companies in one of the world's most exciting offshore oil provinces currently under development.

K.D.

U.S. CUSTOMERS FOR MEXICAN CRUDE OIL

Figures expressed as '000 barrels a day

(All contract supplies subject to allocation cuts)

Customer	1st quarter 1979	4th quarter 1979
Shell Oil	100	160
Exxon	100	160
Ashland	40	90
Atlantic Richfield	40	70
Clark	40	70
Mobil	20	40
Amoco	20	40
Coastal	20	—
Phillips	10	30
Sun Oil	—	20
Union Oil	10	20
Tenneco	—	30
Cities Service	—	20
Charter	10	30
Others	15	28
Total	425	778

Source: U.S. industry estimates.

MEXICO'S CRUDE OIL EXPORTS

Figures expressed as '000 barrels a day.

(All contract supplies subject to allocation cuts)

	1979	1980	1981
United States	673	776	—
Spain	60	160	*210
Israel	45	45	—
France	—	100	—
Brazil	—	20	—
Japan	—	†100-200	—
Canada	—	—	*50
Sweden	—	—	*50-70
Total (by year end)	778	1,100	?

† No firm contract yet agreed with Japan. * Can only be fulfilled if 1.1m b/d 1980 export target is raised.

Source: Pemex.

MEXICAN CRUDE OIL PRICES

(Figures in U.S. dollars/barrel)

	Mexican Isthmus	Arabian Light
1978		
1st quarter	13.40	12.70
2nd quarter	13.40	12.70
3rd quarter	13.10	12.70
4th quarter	12.10	12.70
1979		
1st quarter	14.10	13.34
2nd quarter	17.10	14.54
3rd quarter	22.60	18.00

هكذا من الأصل

Big effort to boost refining capacity

PEMEX, the State-owned oil corporation, is pushing ahead with an ambitious programme to increase greatly the country's refining capacity and to lay a national gas and oil pipeline system.

The amount of crude oil processed last year increased by only 5.5 per cent to 881,700 b/d. Average daily production of crude rose by 22.5 per cent to 1.3m b/d.

As a result, overseas sales continue to be almost exclusively crude oil and not the more profitable value-added products. Crude exports were worth $1.8bn in 1978 and refined products $9.3m. Imports of refined products were worth $144m.

This situation will substantially change when the Cadereyta refinery, near Monterrey in north Mexico (inaugurated on March 18, the 41st anniversary of the nationalisation of the oil industry) is operating at full capacity.

With a population of 67m, Mexico has a huge domestic market for refined products and an export potential in this area.

The Cadereyta refinery—Mexico's largest — was built at a cost of 12bn pesos ($526m) and will have the capacity to process 235,000 b/d, compared with the 882,000 barrels total joint capacity for the country's remaining eight refineries. At the moment, Cadereyta is processing 100,000 b/d.

Expansion

The refinery will supply the country's rapidly expanding northern industrial areas with most of its energy needs. Until it came on stream, supplies to the states of Nuevo Leon (capital, Monterrey, stronghold of the private sector); Coahuila, Chihuahua and, to a lesser extent Tamaulipas and Durango, came from the refinery at Ciudad Madero at some distance and cost.

Cadereyta will process crude which is pumped from Ciudad Madero. Gas comes from the Monterrey-Reynosa pipeline and water from wells in the Sierra de los Ramones area.

The refinery includes primary distillation plants with a capacity of 235,000 b/d a catalytic cracker of 40,000 b/d and a sulphur extraction plant for naphtha of 36,000 b/d. The refinery also has 74 storage tanks for a total of 6m barrels.

At the other end of the country at Salina Cruz in the State of Oaxaca, on the Pacific coast, a smaller refinery with a capacity of 170,000 b/d is being constructed at a cost of 9.3bn pesos ($407m). There is already an oil pipeline from Minatitlan (in the oil-rich State of Veracruz) to Salina Cruz refinery; this should be inaugurated later in the year.

Six storage tanks, each with a capacity of 500,000 barrels, are also being built at Salina Cruz, which will eventually be developed as a port, probably to ship crude to Japan, which has started Government-to-Government talks with Mexico. All of Mexico's ports are on the Gulf side which tends to inhibit trade with Japan—a potentially rich but distant client, as it imports virtually all its oil.

Speed

During the past year, Pemex has been laying gas and oil pipelines at an amazing speed. The latest oil pipeline to come into operation is the 36-inch diameter, 100-mile-long underwater pipe which brings ashore the oil from the Bay of Campeche.

This pipeline connects the offshore fields (which came on stream in June) to Dos Bocas where work has started on constructing a port capable of stor*ing 11m barrels and loading* 250,000-tonne tankers.

Since the port is in early stages of development, the oil is pumped on from Dos Bocas—a further 43 miles to the inland terminal of Cardenas; from there, the oil is carried by a third pipeline of 65 miles to Nuevo Teapa and the port of Pajaritos for inclusion in the national pipeline system or for export.

Offshore production is now only 19,000 b/d but when it rises to a projected 200-300,000 b/d by the end of this year and 500,000 b/d by the end of 1980, so more pipelines will be needed.

When offshore production in Campeche reaches 500,000 b/d, a second pipeline from the fields to Dos Bocas will be necessary. One idea being discussed is that when offshore production reaches that level, then some of it could be sent through the pipeline from Minatitlan to Salina Cruz for export and for processing.

Apart from Cadereyta and Salina Cruz, a stabilisation plant to process 200,000 b/d is being built as part of the huge petrochemicals complex at La Cangrejera.

The most spectacular pipeline laid so far (and it is unlikely to be exceeded) is the 774-mile long, 48-inch diameter pipeline from Cactus by the Reforma fields to San Fernando, near Monterrey. It was inaugurated in March at the same time as the Cadereyta refinery, but has not yet come into operation due to repairs and test runs.

The pipeline crosses 20 rivers, 221 canyons, swamps and deserts and, for political reasons, was built hastily at a cost of 15.3bn pesos ($671m). The system was originally planned to carry gas exports of 2bn feet a day to the U.S., but talks with the U.S. authorities broke down at the end of 1977. The Mexican Government bullishly declared that it would still go ahead with the pipeline but would use it to carry gas for domestic purposes—and not to the U.S. Talks re-started this year and an agreement is expected to be reached by the time the Mexican president goes to the U.S., in September.

Intention

Whether a long-term, substantial agreement is reached or not, Pemex officials say that the corporation intends to use far more gas internally. This is clear from the National Industrial Development Plan which estimates that, between now and 1986, Pemex will spend 26bn pesos ($1.1bn) on compressors —one of the largest items in its future shopping list. Some 1,600 miles of gas pipelines (of which the Cactus-San Fernando stretch is part) are also planned.

En route to San Fernando, the Government plans to supply gas to Coatzacoalcos and Tampico on the Gulf coast, which are planned as new industrial development zones in line with the Government's policy of moving industry out of overcrowded Mexico City.

Gas pipelines are also planned for central Mexico to supply areas such as San Luis Potosi, Leon and Pacific coastal areas such as Lazaro Cardenas, an area also planned as an industrial development zone, with fiscal incentives to encourage more industry to move there.

William Chislett

Much interest from foreign companies

MANUFACTURERS of oil equipment and foreign oil companies are flocking to Mexico in the hope of participating in the country's oil boom. But they are finding out both that the country is intensely nationalistic about its oil, and that a thorough knowledge of the intricate workings of the Mexican system is also needed to penetrate the market.

The snag is that Mexico nationalised its oil industry in 1938 and so, for political reasons foreign participation in oil exploration and development—which has been confined chiefly to offshore and is not very great—has to be kept in the background.

Exploration is done both by wholly-owned private Mexican companies working with Pemex and by Pemex itself or, in some cases, by joint ventures with majority Mexican participation using mainly technology developed by the Mexican Petroleum Institute. Mexico has had 41 years' experience in developing its oil industry.

However, in the realm of supplying equipment there is tremendous scope for foreign companies, either by exporting to Mexico or establishing a joint venture.

Last year Pemex bought about $2bn-worth of equipment, ranging from pipelines to compressors and more specialised machinery. Well over half of it had to be imported because manufacturers in Mexico could not cope with the demand. This year the same amount, probably more, will be imported.

In 1977 Pemex had to import most of the 48 in diameter pipe needed to build a 774-mile pipeline connecting Cactus in the south to San Fernando, near Monterrey, because Mexico's industry could not meet such a demand in the given time.

At the same time work had started on developing the offshore fields in the Bay of Campeche. Again pipeline contracts had to be awarded to foreign companies, mainly in this case Brown and Root in Houston, Texas, because the few Mexican companies were working flat out on the gas pipeline.

Sr. Raul Cisneros, director of supplies for Pemex, said: "As long as Mexico cannot produce this equipment or can produce it but not sufficiently quickly to meet targets, then we shall be looking to foreign companies and importing. When we can we shall obviously stop imports."

Clearly this will be a long process. In the meantime the rush has started among foreign companies to establish themselves in Mexico. At the end of July 15 companies were awaiting approval from the Foreign Investment Committee to set up joint ventures in different areas of the oil industry. Companies already established total about 30.

A member of the American Chamber of Commerce said: "The flow of people through these offices is enough to fill the Sheraton Hotel every day."

Ventures

The Mexican EPN Group and the Lanzagorta Group, the country's largest holding companies in the oil business, recently set up joint ventures with U.S. companies such as Delaval Turbines, McDermott, Stockham Valves and Walworth. The Chihuahua Group has a joint venture with Smith International.

Brown and Root and Halliburton are actively contracted by Pemex, Ideco, Rolls-Royce, Schlumberger are all here. The Dutch Netherlands Offshore Company partners Protexa, one of Mexico's most powerful construction companies, in a joint construction agreement, and upended three jackets in the Campeche development. Uglands Rederi, of Norway, also took part in this development and operated a derrick barge.

The need for equipment will be huge in the coming years. Pemex is investing about $3bn a year to reach a production plateau of 2.25m barrels a day by the end of 1980 and an export plateau of 1.1m b/d. After that there will be strong pressures on Pemex to continue increasing output.

Pemex has already committed the 1.1m b/d and has additional preliminary agreements for a further 170,000 b/d to Spain, Sweden and Canada. This oil can be supplied only if Pemex gets permission from the Government to increase the 2.25m b/d.

"Not until at least 1983 will Mexico be on the way to producing a lot more equipment itself," said an expert in the equipment business.

At the moment Pemex gives a 15 per cent advantage to national or joint venture companies when it puts out to tender. Pemex's suppliers are mainly from the U.S. and to break this virtual monopoly is a problem for European companies.

The representative of a British oil company, trying to establish a commercial relationship with Pemex, lamented: "When someone in Pemex wants something he just gets on the first flight to Houston or New Orleans and meets some of his buddies from his days when he trained or worked in the U.S. If you mention Manchester or Birmingham to Pemex engineers they just stare at you."

The "Texas connection" is a strong one. Pemex's director, Sr. Jorge Diaz Serrano, has numerous contacts from his Texas days as a young engineer which have been kept up.

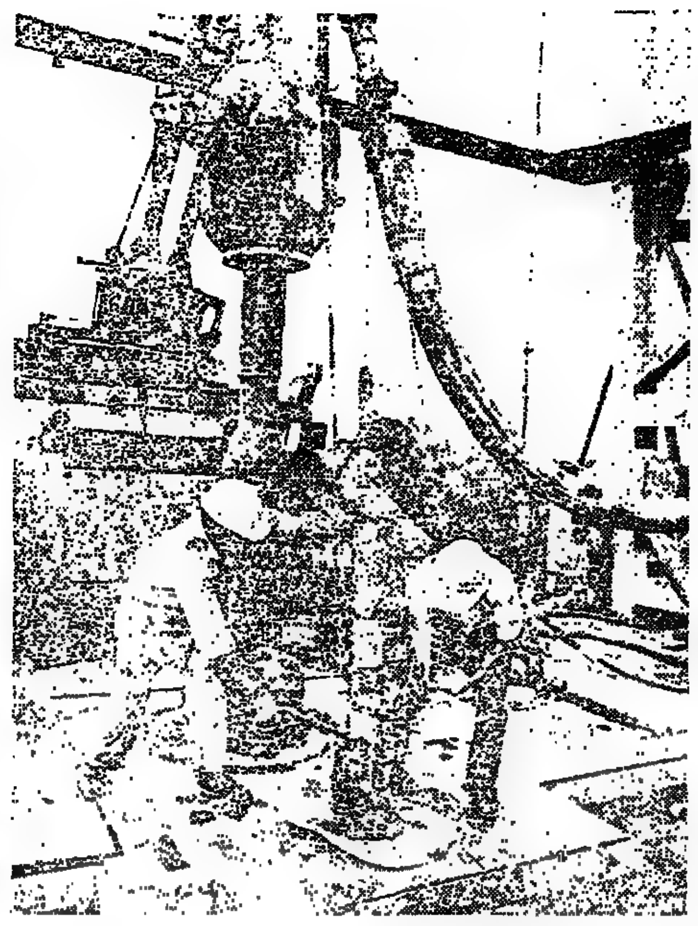
One glimmer of hope for Britain, in a field where it is conspicuous by its absence, is that with the advent of offshore production in the Bay of Campeche, Pemex may find that it needs technology developed in the North Sea. But as yet there is no sign of this, for water depth in Mexico's offshore production is very shallow so far compared to the North Sea.

Apart from the U.S. domination the other problem, endemic to other sectors of Mexican industry, is for a company to establish itself. There is no doubt that contacts in high places go a long way towards solving it.

The following case illustrates the point. Recently several businessmen with many years' experience in Mexico set up a company to identify advanced technological needs for Pemex, and to put companies offering these needs and equipment in touch with Pemex. It also pursues joint venture possibilities.

A member of Pemex is on the company's board and the company pays "retainers" to Pemex employees to keep their eyes open for anything which might be of interest to the company. This way the company knows exactly what Pemex is looking for and can go straight to the right person and offer a service. The company reports promising business.

William Chislett



The development of Mexico's oil and gas industry will bring huge demands for equipment in the coming years. Above, left: pipes being moved from a store in the Reforma fields in the State of Tabasco; and, right, roustabouts at work on a rig, near Villahermosa.

OPEC invitation declined

IN ITS relations with the U.S., on one side, and the Organisation of Petroleum Exporting Countries on the other, Mexico has been treading a delicately cautious path. It has shown every sympathy with the OPEC position but has so far decided against accepting the organisation's repeated offers to become a member.

Mexico knows that the animus in the U.S. is so strong against OPEC that, if it were to join, U.S. criticism of the action would reach a crescendo. Furthermore Mexico would run the risk of U.S. trade sanctions.

At the time when the Arab members of OPEC decided to limit exports to those countries seen to be supporting Israel in the 1973 war, U.S. legislators in a move based more on emotion than reason decided to punish all members of OPEC, Arab or non-Arab, by refusing tariff preferences for their manufactures.

This measure has already been applied to Venezuela and Ecuador in Latin America though they could hardly be farther removed from the Arab-Israeli conflict. Were it to be applied to Mexico, whose principal market is the U.S., it could cause severe damage to Mexico's export prospects. The potential damage would be much greater than that suffered by those OPEC countries which export little other than oil or which are not as dependent as Mexico is on the U.S. market.

Decision

The Administration of President Luis Echeverria is widely understood to have agreed informally with President Gerald Ford that Mexico would not accept OPEC membership. Nationalist objection to this deal has been muted a little by the fact that Mexico nationalised its oil industry more than 40 years ago, long before OPEC was even thought of.

But, having made that decision, Mexico has made it clear that it will seek all the price benefits which stem from OPEC pricing policy and President Echeverria and President Lopez Portillo have several times emphasised that Mexico will never undercut OPEC. Mexico has moreover expressed interest in getting together with Britain, Norway, Canada and other major oil producers which are not members of the organisation for talks with OPEC on ways of co-ordinating policy.

There is, nevertheless, some continuing nervousness in OPEC circles about future Mexican oil policy and fear lest U.S. pressure becomes so great as to oblige Mexico to retreat from OPEC price levels. Venezuela, one of the founder members of OPEC, also wonders whether increasing Mexican production and exports to the U.S. will not one day pose something of a threat to its own oil exports to that country. Mexicans for their part feel that the Mexican action in holding out strongly for a reasonable price for natural gas sold to the U.S. should assuage OPEC fears about its pricing policy.

Having taken account of U.S. susceptibilities about OPEC, Mexico is in no particular hurry to tailor its oil development to the needs of the U.S. market. Indeed, there has been no little incredulity in Mexico that the U.S. should appear to expect its neighbour to push ahead with the job of increasing production to fill shortfalls in U.S. imports and to sell its products at less than the going price.

Needs

"Mexico's oil and gas are to be developed in accordance with Mexico's needs," President Lopez Portillo has said firmly.

With well over half all Mexico's exports already going to America—and the U.S. providing the largest slice of the tourist trade—the Mexican Government is anxious that its dependence on the U.S. should not increase. For that reason it has been waiting for America to match its asking price for the sale of natural gas and has rejected U.S. arguments that if Mexico does not sell to the U.S. it will not be able to sell anywhere.

The U.S. is, in fact, taking 85 per cent of oil exports but agreements (some preliminary), have been signed with Spain, France, Brazil, Sweden, Canada and, most importantly, Japan, which should dilute U.S. dominance of the market.

The difficulty about diversification is that non-U.S. markets are often unwilling to pay the premium price that Mexico receives from the U.S. which takes into account the cheap transport costs for Mexican oil when compared to the tanker freights which have to be paid for Saudi Arabian or Venezuelan oil.

Hugh O'Shaughnessy

Problems on gas exports

THE RATE at which the Mexican gas industry will be able to grow during the early 1980s has been thrown into uncertainty by the lack of any conclusive agreement with the U.S. over natural gas exports.

When the first set of negotiations broke down at the end of 1977, Mexico embarked on an ambitious programme of trying to switch important parts of manufacturing industry and the power industry away from oil to natural gas as their basic energy source. New outlets were needed for its increasing gas production, much of which would otherwise have had to have been flared wastefully into the atmosphere.

Talks with the U.S. were finally resumed earlier this year after a visit by President Jimmy Carter to Mexico City in February appeared to clear the air of mistrust and misunderstanding that had clouded relations between the two countries. Both sides are still hoping to reach agreement by the time the Mexican President, Sr. Jose Lopez Portillo, visits Washington next month. But negotiations in recent weeks have not proceeded smoothly and the bargaining to find an acceptable price formula has become increasingly tough.

Scale

It is already clear that the scale of the contract first envisaged in 1977 has in any case been substantially reduced and the Mexican Foreign Ministry said this month that the new deal will only concern supplies of about 300m cubic feet a day of natural gas compared with the 2bn cubic feet a day discussed two years ago.

Mexican natural gas production is increasing rapidly in line with the sharp rise in crude oil production. Much of the gas output comes in the form of associated gas produced along with the crude oil. If there are no available outlets for this gas, the only alternative is to flare it into the atmosphere. The problem of making use of associated gas production is common to all major oil producers, but it is one which will become increasingly acute for Mexico, where many of the recent onshore oil discoveries have a very high ratio of gas to oil.

Natural gas production reached a new peak last year of 2,561m cubic feet a day, an increase of 25 per cent over 1977. Of this, 63 per cent came from associated gas production, chiefly from oil fields in the southern states of Chiapas and Tabasco, while the remaining 37 per cent was produced from independent gas fields.

The prolific southern fields, which account for the majority of Mexico's crude oil production, also produced 68 per cent of the country's natural gas. The Poza Rica fields along the coastal plain of the Gulf of Mexico produced 7 per cent of the total, with the remaining 25 per cent coming from fields in the north of the country, chiefly around Reynosa.

Mexico's record in using its associated gas bears comparison with most oil-producing countries. But the wasting of gas is still a sensitive domestic issue, which could cause serious problems for Pemex, the Mexican State oil company, during the early 1980s. It claims that about 13 per cent of gas production—some 336m cubic feet a day—was flared last year, when oil production was averaging 1.3m barrels a day.

By contrast in 1976, when oil production had barely reached 900,000 barrels a day, Pemex was flaring 550m cubic feet a day of natural gas. According to Sr. Jorge Diaz Serrano, the director-general of Pemex, flaring earlier this year, with a crude oil output of 1.5m b/d, had been cut back to only 200m cubic feet a day and by the end of the year it should be reduced to some 100m cubic feet a day. (For comparison, the UK, which is producing 1.7m b/d of crude oil, is currently flaring up to 700m cubic feet a day of natural gas.) Total gas production in Mexico this year is expected by Pemex to reach an average of 3,318m cubic feet a day.

When the immediate prospect of exporting gas to the U.S. faded at the end of 1977, Mexico defiantly declared that it could use all its natural gas output internally. It embarked on a programme of trying to switch important fuel users from oil to gas for their basic source of energy. As an important part of this plan, the Federal Electricity Commission is completing conversion work at seven of its major power stations around the country in the states of Durango, Jalisco, Nuevo Leon, Hidalgo, Mexico and two in Veracruz. Switching to methane (natural gas) as the main fuel source will also free more oil either for export or domestic use.

One of the main difficulties in bringing the surplus gas production (which is largely derived from fields in the south of the country) to potential consumers (much of the heavy industry is in the north) has been caused by deficiencies in the national gas transmission network. Pemex has gone a long way towards solving this problem in recent months, however, by building a major 774-mile 48 in diameter gas trunkline from Cactus in the southern oilfields to San Fernando, near Monterrey, the northern industrial centre. The pipeline was originally planned to carry the 2bn cubic feet a day of gas exports north to the U.S.

Breakdown

After the breakdown of negotiations with the U.S. in 1977, however, the Government decided that the pipeline would still go ahead, but that the gas would be used internally. Only construction of the final leg of the pipeline from San Fernando to the U.S. border was postponed indefinitely.

The pipeline represents one of the most ambitious projects that Pemex has undertaken. It was built in 17 months at a cost of US$700m. Nearly 18,500 construction workers were employed on the project. The line crosses 20 rivers and 221 canyons and passes through several swamps and deserts. It was "inaugurated" in March on the anniversary of the nationalisation of the oil industry 41 years earlier, but it has still to come into operation. Having been built at such speed it is clearly taking longer than expected to commission the pipeline. It is still being tested to detect and seal off any leaks.

When it comes into use, probably later this year, the line should be capable of carrying up to 800m cubic feet a day of gas with the pressure generated at the southern oil fields. With the addition of up to 17 costly compressors, however, the capacity of the line can be boosted to 2.7bn cubic feet a day according to demand.

Along the route to Monterrey, Pemex has announced plans to build a number of offshoots from the trunkline to feed gas to towns such as Coatzacoalcos and Tampico. Several such areas are being planned as new industrial zones in line with the Government's policy of moving industry out of overcrowded Mexico City.

Exact figures on the expected level of gas production over the next couple of years are hard to come by, but in 1976 Pemex talked of producing 4bn cubic feet a day when oil production increased to 2.25m barrels a day. This point should be reached by the end of next year.

Talks of using all its gas internally has clearly been a negotiating ploy on the part of the Mexican Government in its talks with the U.S. It has become apparent that however successfully large parts of industry can be switched to burning natural gas, there is still likely to be a sizeable surplus available for export in the early 1980s. The Mexican Petroleum Institute has suggested that Mexico will have a production capacity of almost 5bn cubic feet a day in 1982 with an estimated local demand of only 2.1bn cubic feet a day. The resulting gap can certainly be narrowed by further stimulating domestic consumption.

In addition, some of the independent gas fields can be shut in—as is already happening in the southern producing areas around Ciudad Pemex—to reduce supply. But at some point exports to the U.S. appear inevitable.

Mexico's proven gas reserves currently stand at 58 trillion (million million) cubic feet and it could have enough capacity both to meet increased domestic demand and to produce a surplus for export. The reserve figures will probably be boosted before the end of the year to take account of exploration success during 1979.

The first round of negotiations between the U.S. and Mexico in 1977 failed when the U.S. Government objected to the price that had been agreed by Pemex with a six-member consortium of U.S. gas companies led by Tenneco. The 1977 pricing formula set a tariff of $2.60 per thousand cubic feet and linked future escalation directly to the price of number two fuel oil in New York harbour. As a result of the rapid rise in oil prices in the last eight months, the U.S. would now be paying about $4 per thousand cubic feet for Mexican gas.

This is far in excess of prices paid to domestic U.S. gas producers and is also much higher than the $2.80 per thousand cubic feet currently paid to Canada for its gas exports to the U.S. In six sessions since February the Mexican and U.S. Governments have moved slowly towards producing an agreed framework, within which the gas companies can then negotiate a detailed agreement, but some of the early momentum has been lost. The Mexicans have continued to press for the gas price to be linked to the price of the fuels it would be substituting.

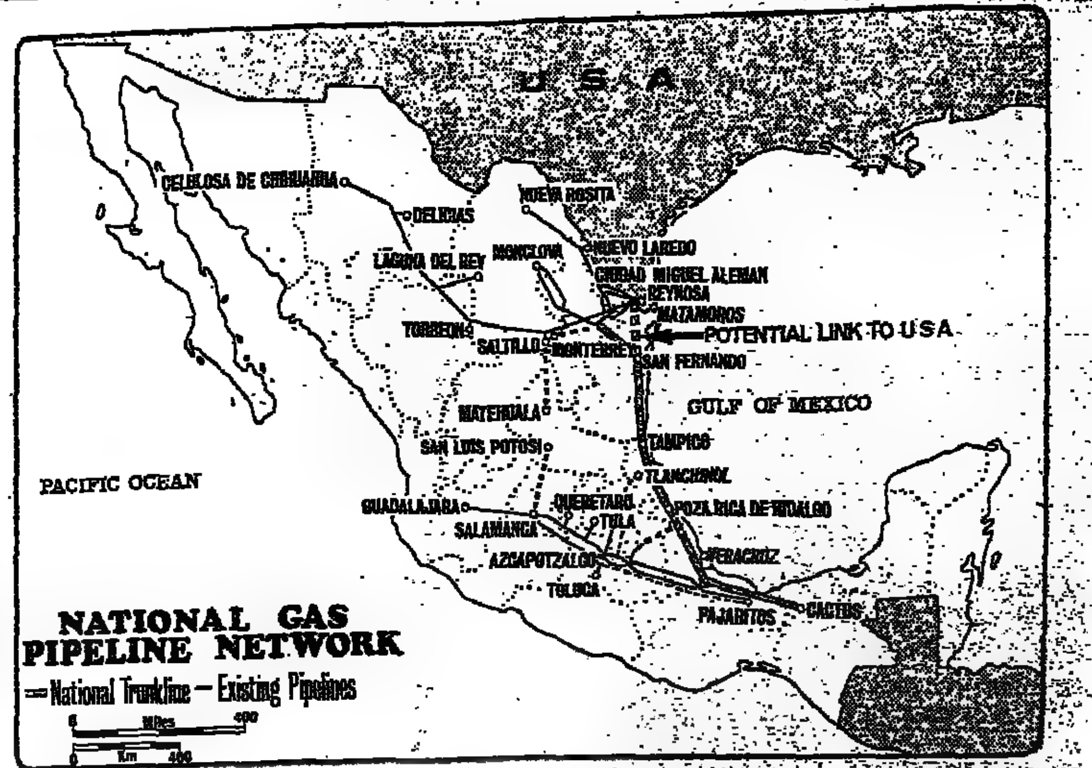
If agreement is reached the amount to be supplied will be about 300m cubic feet a day, the Mexican Foreign Affairs Secretariat said earlier this month, rather than the 2bn cubic feet a day discussed in 1977. But the two parties are still bargaining fiercely over the price—either side of $3.50 per thousand cubic feet—and on a formula for future increases.

There is much more at stake for Mexico than simply the issue of gas contract, however. The negotiations have become a matter of national pride and the Government cannot easily afford to lose face by giving in to pressure from its powerful northern neighbour. Any agreement must be sufficiently attractive to appease the domestic critics that claim vociferously that Mexico is selling its national heritage to the U.S.

In the long term the failure to export gas could act as some sort of brake on oil production, but it is only one factor in the argument. Ultimately the level of gas production will also depend on:

- The success of the domestic conversion programme and the resulting increase in local demand.
- How well the extra petro-dollars can be absorbed without disrupting the economy.
- What opportunities emerge for using excess gas output as a means of secondary recovery for oil production through gas re-injection into the oil reservoirs.
- The ratio of gas to oil in future oil discoveries.

K.D.



Pemex, the pivot of Mexico's economy

PETROLEOS MEXICANOS (Pemex), the giant State-owned oil corporation, is a bureaucratic monster with a reputation for inefficiency and worse. It is all the more remarkable then that this third largest corporation in Latin America, in terms of sales (after Petroleos de Venezuela and Brazil's Petrobras), should have become the pivot of the Mexican economy and be moving with some success towards fulfilling the Government's dream of making the country financially independent.

Pemex is the bastion of nationalism in an intensely flag-waving country. Its four 12-storey buildings in Mexico City are named after key dates in Mexican history: 1810 (Mexican Independence); 1910 (the revolution which overthrew the Right-wing dictatorship of Porfirio Diaz); 1917 (the country's constitution which enshrined the principles of the revolution); and 1938 (nationalisation of oil).

Founded on June 7, 1938, less than three months after the Government of General Lazaro Cardenas became the first in the world to nationalise all foreign-owned oil companies, Pemex has, during the last 40 years, laid the groundwork for Mexico's industrialisation by supplying cheap fuel. More recently, with the discoveries of immense onshore and offshore oil and natural gas deposits, it has started to move into high gear with an increasingly vigorous export policy.

Power

No other organisation is more representative of contemporary Mexico. It is a bureaucratic hothouse, with a total labour force, including temporarily hired workers, of around 100,000, where some top appointments are said to be still made more on a basis of political patronage than talent. Its union, the most cosseted in Mexico, has worked itself into a position of tremendous power and political clout. The way Pemex works is shrouded in secrecy—its public approach to anything smacking of "foreign" borders, at times, on the xenophobic.

The general public regards the corporation with a mixture of awe and disdain, quick to rally behind it in times of trouble, or when it might be under attack, but equally quick to criticise it in private for its mixed reputation.

Last year, Pemex's oil exports were worth $1.8bn, while imports (mainly petrochemicals and capital goods) were worth $1.2bn. This year, however, Pemex's balance sheet should really start to reflect the results of the massive investment programme, aimed at boosting oil production from 1.6m b/d to 2.25m b/d by the end of 1980. Even after subtracting imports and foreign interest payments, Pemex should be left this year with around $2bn trade surplus, on the basis of earning $3.5bn in oil exports.

In the first quarter of this year Pemex's oil exports were worth $86.2m. Since then, there has been a substantial increase in the price of Mexican oil for the second and third quarters, with the possibility of another rise for the fourth quarter.

But Pemex's financial picture is infinitely more complicated than this, for the monopoly is engaged in a costly investment programme of at least $17bn, (with a heavy borrowing requirement) between 1977 and 1982, the end of the six-year term of office of president Jose Lopez Portillo.

Nevertheless, last year's balance sheet shows how distant are the difficult days when Mexico cast off the foreign domination of its oil industry and struggled for survival in the face of a boycott imposed by the oil companies; Britain broke off diplomatic relations for three years.

Then, American observers thought that Pemex would die a natural death and that it would only be a matter of time before foreign companies were allowed in again. Later, Paul Getty scarred the soul of Pemex with his remark: "It is the only oil company I know that loses money."

How wrong these views have been proved to be!

Pemex's investment last year totalled 62.7bn pesos ($2.7bn), 76 per cent more than in 1977. Pemex was able to finance a good proportion of this investment from its own funds. Revenue from foreign and domestic sales increased by 44 per cent in 1978 to 113bn pesos ($5.1bn). Expenditure, including operating costs, investment, debt interest and taxes, was 164.4bn pesos ($7.4bn).

The heavy investment programme is a burden on Pemex's resources at the moment, but is vital if the corporation is to reap the reward in the future from increased production. Pemex borrowed 51.3bn pesos ($2.25bn) last year from foreign and domestic creditors—85 per cent more than in 1977.

Debt service and amortisation amounted to 18.3bn pesos ($802m), or 18 per cent of total income. As of December 31, 1978, the long-term debt stood at 47.8bn pesos ($2bn). Pemex's net indebtedness at the same time was 33bn pesos ($1.4bn) and its gross debt is estimated at 109bn pesos ($4.7bn).

Pemex will continue for some time to be one of Mexico's major foreign borrowers and under increasingly good terms unless the present excess of liquidity on international financial markets tightens. As each new oil discovery is announced, so Pemex's rating seems to get better and better.

In August, Pemex started to arrange a $1.5bn banker's acceptance facility in the U.S. money markets which, according to bankers, is the largest-ever operation of its type. The facility will be used to generate short-term finance for future oil and gas exports to the U.S.

Optimism

In many ways, Pemex is being used as a sounding board for Mexico's other loans. The prospects of Pemex are considered so good that in the two latest Euromarket loans—not directly for Pemex—Mexico, a developing country, is receiving loans on terms hitherto only granted to major industrial countries.

In one of these Euromarket loans, $120m is being raised for the State's foreign bank, Banco Nacional de Comercio Exterior, with a 10-year maturity at ½ per cent above LIBOR.

Earlier this year, Pemex announced that it was to retire well ahead of schedule two Eurocurrency credits, totalling $600, which were contracted in 1976 and 1977 when Mexico was undergoing a severe financial crisis after the 80 per cent devaluation of the peso.

There is growing criticism from the newly-legalised Left, (including the Communists, who for the first time are represented in the new Congress, elected in July), that the Pemex financial picture is not what it should be because of inefficiencies, wasted resources and corruption.

These critics point to the enormous cost of operating Pemex—43.4bn pesos ($1.9bn) last year—an excessive current expenditure, compared to capital expenditure.

It is difficult to pin down allegations of corruption. There is a cosy relationship between Pemex and the Government and no Pemex official is known to have come to trial for alleged "mishandling" of funds. But the belief is widespread that bribery and corruption are rife among sections of the oil industry.

Pemex's image is not helped by the fact that its permanent staff of 54,775 enjoy the best salaries and conditions in Mexico. The long line of U.S. limousines for its top executives, double-parked, with pistol brandishing chauffeurs outside Pemex's building, is in sharp contrast to the mass of begging Indians around the city who cannot afford the bus fare.

Union

Union leaders and other Pemex staff owe their position of strength to historical circumstances. After the nationalisation of oil in 1938, which marked the high tide of Mexican populism, a fierce dispute developed between the Left- and Right-wing sectors of the ruling Institutional Revolutionary Party as to whether foreign investment should be allowed to return to the oil industry.

President Miguel Aleman (1946-52) adopted a more pro-U.S., capitalist approach but could not sway the lobby behind the pro-labour, reform-minded, former president, General Cardenas, who was responsible for the oil nationalisation.

Under Aleman, the head of Pemex, Antonio Bermudez, resolved to make Pemex an efficient concern, thus eliminating the need for foreign participation and capital. To do this he had to seek the support of the unions and the pro-Cardenas faction.

Between 1938 and 1944 oil production slackened because of lack of resources. What little funds existed were deployed to build a national distribution system.

In this period, the corporation drilled 126 wells, as against 480 in the period 1932-37. Under Bermudez, the pace accelerated again and 129 wells were drilled. But a basically conservationist policy was still followed, with exports falling. The period, 1938 to 1958, saw the implementation of a strong import-substitution policy with the price of fuel oils, over these years being, in most cases, substantially reduced. This enabled the country's industrial base to be laid.

But by 1958, Pemex was in dire financial straits and its debt to the State of 3.8bn pesos (as against 654m pesos in 1952) was converted into 99-year 4 per cent bonds.

Foreign loans were then allowed and a capital-intensive petrochemicals industry was started under President Lopez Mateos (1958-64). By 1960, 70 per cent of Pemex's investments were covered by loans.

The idea of taking advantage of the then low international prices to import cheap oil was mooted during this presidency. It was vehemently rejected by the next President, Gustavo Diaz Ordaz, when drilling was intensified.

Then, in 1972, came the development which more than anything else altered the panorama for Pemex. At the same time that Mexico started to import oil on a significant scale, because production was not sufficiently developed, Pemex discovered the Reforma oil fields in the southern states of Chiapas and Tabasco. They changed Pemex from a drain on the Treasury to become a major taxpayer, which last year contributed 30.2bn pesos ($1.3bn), about 12 per cent of total Mexican Government receipts—as against 19.7bn pesos in 1977.

Pemex pays federal taxes to the Government at the rate of 12 per cent on total revenues from petrochemicals, and at the rate of 7 per cent on other revenues. The corporation also covers a 50 per cent tax, plus 2 per cent ad valorem on import purchases and export sales.

The Reforma discovery—a major one in the world oil context—was the first large find by Pemex since the "golden lane" at Poza Rica was developed by foreign companies in the early part of the century.

In 1973, a 15-year price freeze on oil prices was lifted. Pemex's exploration and development budget went up by a much-needed 60 per cent to enable the Reforma area to be exploited.

By 1975, imports stopped and since then, Pemex has gone from strength to strength with proven hydrocarbon reserves increasing sevenfold since then to the present 40bn barrels.

W.D.C.

Leading personalities in the industry

Among the most influential men in Mexico are Sr. Jose Andres de Oteyza — a Government minister and chairman of the board of Pemex, the State oil corporation — and Sr. Jorge Diaz Serrano, the head of Pemex. The most respected critic of Pemex is Sr. Herberto Castillo, as WILLIAM CHISLETT reports in the following profiles.

Jose Andres de Oteyza

AS MINISTER of National Patrimony and Industrial Development and, at the same time, chairman of the board of Pemex, the State-owned oil corporation, Sr. Jose Andres de Oteyza is a key figure in Mexico's oil industry. It has been his job to draw up a plan on how to use the oil revenue to expand industry.

The National-Industrial Development Plan came out in February and is the first coherent policy on how the oil wealth should be used. Also, for the first time, it goes beyond the period of an incumbent administration and outlines industrial strategy until 1990. President Jose Lopez Portillo's term of office ends in 1982.

Normally, economic plans paralleled the six-year presidential terms of office, but, as Sr. de Oteyza was quick to recognise, longer-term planning is needed if Mexico is to avoid going down the inflationary road of other oil-producing countries, such as Venezuela.

The plan's principal author is only 36 and was plucked out of his job as co-ordinator of the Institute of Social, Political and Economic Studies of the ruling Institutional Revolutionary Party to head the ministry in 1976.

After a prize-laden four years at the National Autonomous University studying economics, he spent two years at King's College, Cambridge, for his M.Sc (Econ.) and returned to Mexico to hold a series of top Government posts.

With a reputation for having all the facts at his finger tips and being able to present them in detailed speeches without using notes, Sr. de Oteyza is a rising star in Mexico.

But for the fact that his parents are Spanish he would most probably be one of the candidates as the country's next President. However, the Mexican Constitution bars anyone not of Mexican parentage from being President.

His parents fled Spain at the end of the civil war in 1939.

The basis of the plan, at least until the end of the present administration, unless there are any surprising and radical changes of policy, is that Pemex will reach a production platform of 2.25m b/d by the end of 1980 with exports of 1.1m b/d. The platform will then rise to around 2.5m b/d with exports of 1.5m b/d by 1982.

"The money from these exports is what we have estimated the economy can digest," he said in an interview.

The plan predicts that with the petrodollars flooding into the country—over $4bn from crude exports this year based on current prices—the Mexican economy can "take off."

Priority goes to steel, electricity, capital goods, agro-industry, petrochemicals, pharmaceuticals, textiles, shoes and cars. Decentralisation plays a prominent role with the creation of 11 new development zones and attractive fiscal incentives will be given to the private sector to go to these areas and complement public sector works.

Unemployment, which coupled with underemployment is estimated at about 50 per cent, is Mexico's most pressing problem. The minister rejects the charges that the plan's estimate that 12.6m new jobs will be created between now and 1990, is unreal. He argues that with 10 per cent economic growth—as is projected after 1982—the creation of so many jobs is possible. "Japan and Brazil created a considerable number of jobs when their economies grew at 10 per cent," he says.

Sr. de Oteyza is an expansionist, as his job requires him to be. *He does not hold to the theory, which is current in some* Government circles, that Mexico should slow down its development in order to try to reduce inflation.

Inflation this year, he says, would be about 18 per cent higher than originally forecast.

"The risk here is to grow very little and still have high inflation which is what is happening in many countries. The U.S. is in recession and has high inflation. We believe that inflation should not inhibit us from growing. It will not be the decisive factor," he adds.

"The fundamental factor is to grow and to grow quickly because we have a population which is increasing very quickly (by about 3 per cent a year) and which has alarming levels of poverty."

Sr. de Oteyza sees the oil as an "historic and, perhaps, last chance" to accelerate the country's growth. And clearly there is far more oil than Pemex *has so far officially* estimated.

When I asked the minister for an estimate of the country's immense offshore oil reserves in the Bay of Campeche (which came on stream in June), he replied with a broad grin: "I can't give you that figure."

He then chuckled as I tried to persuade him to give some comparisons. All he would say to this key question was that the 40bn barrels of proved reserves took into account only a "small part" from offshore.

Herberto Castillo

SR. HERBERTO CASTILLO, head of the Left wing Mexican Workers Party (PMT), is the most vociferous and respected critic of Pemex, the State-owned oil corporation, which, he argues, is far from solving the country's immense social and economic problems, but only aggravating them by increasing production in order to boost exports.

If he ever became Mexico's energy minister (of which he knows there is not the slightest chance), he would radically change the country's oil policy. He would hold production to a level required for national needs, cut exports to a minimum, increase the domestic price of oil and gas and give far more importance to developing alternative energy sources particularly nuclear and fostering agricultural growth.

Otherwise, he says, Mexico will not solve its problems and will only use up all its oil and become heavily in debt.

Sr. Castillo, an agile, white-haired 51, holds no official position and further makes a point of distancing himself as much as he can from the Government by devoting most of his time to his Marxist-based party. Nevertheless, his carefully prepared arguments — albeit rather extremist—do exercise a persuasive sway over the Left and are beginning to be taken into account by Pemex.

Few officials would admit to having any contacts with Sr. Castillo, but, in fact, his opinions are sought.

The basis of his argument against Pemex is that: "No under-developed country in the world has emerged from under-development by selling its oil. Such resources create riches where they are consumed and not where they are produced—look at the difference between oil-producing countries such as Iran, Saudi Arabia and Venezuela—and then look at the U.S."

Sr. Castillo, an engineer, who has, incidentally, taken out a patent on a bridge he designed admits that Mexico is afloat on a sea of oil, but fears that governments may be so eager to get it out of the ground, under pressure from oil-importing countries, that by the next century Mexico will itself be importing oil—"By then there will be few oil markets if world consumption continues at its present rate," he says.

When we met in the tatty PMT offices, which are dotted with revolutionary posters and a pencil drawing on his wall of General Emiliano Zapata, hero of the 1910 Mexican revolution, Sr. Castillo was busy working out an equation. His mathematical mind makes his arguments sound quite convincing.

"Mexican politicians have doctorates in lying," he says. "I know of no other country where a Government so often does the opposite of what it says."

In 1968 he was beaten up after speaking in the Plaza de la Constitution. He escaped from his assailants and went into hiding for nine months until he was found by the police and imprisoned, without trial, until 1971. He was accused of being the intellectual author of the student demonstration just before the 1968 Olympic Games in Mexico City when the army massacred many demonstrators.

While he was in prison he was offered freedom if he lived in Uruguay. He turned down the offer—and also another suggestion, made after he was released, to be director of the country's science and technology council. Attempts were made to "buy" him, he says, and finally, when he was asked what he wanted and replied: "To be free and to form my own political party." To his astonishment he was then told that the Government would not only permit it but would also finance it. He declined the offer.

In 1973 he was again attacked and later, from his hospital bed, made a Press statement, blaming the government. The next day, his broken ribs bandaged up, he was taken to Los Pinos, the residence of the then president, Luis Echeverria, where he dined with him and several ministers. Again he was offered a job.

Subsequently he formed the PMT, but did not take part in July's congressional elections, claiming that the interior ministry would not grant the party official status.

Jorge Diaz Serrano

AS THE head of Pemex, (Petroleos Mexicanos), the State oil company, which has been thrust into the forefront of Mexico's economic future, Sr. Jorge Diaz Serrano is the best-known and, probably, most influential person in the country, after President Jose Lopez Portillo.

Three years ago, Sr. Diaz Serrano was a little-known, but highly successful, oil engineer who disputed the official versions that Mexico was running out of oil—which, seen in the light of today's reserves, seems like the understatement of the century. His chance to prove that he was right came when Sr. Lopez Portillo became president in December, 1976, and appointed his long-standing friend as head of Pemex.

Three weeks after he took over, Sr. Diaz Serrano had the country's proven hydrocarbon reserves raised from 6bn to 11bn barrels. A year later, after beefing up exploration, these proved reserves were boosted to 16bn barrels, later to 22bn—and now they stand at 40bn.

Sr. Lopez Portillo took a gamble when he appointed his friend to be head of Pemex, for Sr. Diaz Serrano lacks political experience in a job which is also regarded as a political post. Former Pemex chiefs have included past heads of the ruling Institutional Revolutionary Party.

Over the past three years, Sr. Diaz Serrano, like the President himself, has had to build up a power base. he is widely respected for his technical abilities and professional approach to the job.

Recently, however, he has come under a cloud because of the blowout on the offshore rig Ixtoc, in the Bay of Campeche, which has caused the world's worst oil disaster.

The normally docile Mexican Press ran stories alleging that Sr. Diaz Serrano had maintained "an interest" in the drilling company which was contracted by Pemex to drill the Ixtoc well, but Sr. Diaz Serrano insists that before taking on his job at Pemex he sold all his shares in various companies connected with the oil industry.

Sr. Diaz Serrano, aged 58, studied mechanical engineering and after graduating he worked for the Government's National Irrigation Commission before winning a scholarship to study at the University of Maryland.

From there he went briefly to the Chicago Pneumatic Tool Company and, on returning to Mexico, joined a U.S. engineering firm, Fairbanks Morse.

His keen business sense was soon evidenced when he realised that Fairbanks Morse sold machinery but did not install it, so he set up a company to do just that. And when he was asked for machinery which Fairbanks did not make, he set up another company to build this equipment. By the mid-50s, business was booming. Between 1956 and 1965, Sr. Diaz Serrano formed several more companies to provide maritime and transportation service as well as dredging and drilling in swamp and lagoon areas.

At the end of the 60s, he became philosophical about his business empire which included the Golden Lane Drilling Company in Houston. His roughneck days in Texas have stood him in good stead and a lot of business such as supplying equipment which Pemex cannot handle is contracted out to Texan firms.

However, his U.S. connections have not gone down well with the nationalistic Left-wing anti-selling energy lobby, which accuses him of "selling Mexico's birthright."

His business sense was soon put into practice at Pemex which he tends to operate more as a business than a bureaucracy. As soon as he took over he started to streamline the unwieldy corporation, applying modern management techniques and delegating authority to engineers in the field. He disposed of a lot of the endless memorandums and won support for his frank approach.

In 1972, he enrolled at the National Autonomous University to learn French and to study the history of art and the history of Mexico.

At this time, he saw a lot of his friend "Pepe" Lopez Portillo who was working at the Ministry of National Patrimony, doubtless discussing, during the final months of the Echeverria administration — when Sr. Lopez Portillo's presidential nomination was known to the country's inner circle — what should be Mexico's oil policy.

Sr. Diaz Serrano is not given to revealing very much new in his few encounters with the Press—which is not surprising given his almost daily visits to the scene of the oil spill disaster and numerous trips abroad, not to mention his frequent visits to Los Pinos, the presidential residence.

Capital markets' confidence in Pemex

THE THIRD largest international financing of the last decade was *unveiled early* in August with the announcement that Petroleos Mexicanos, the State oil agency, was to raise a $1.5bn facility by way of prime bankers' acceptances in the U.S. money market.

It is a measure of Pemex's own stature in the international capital markets, as well as the recovery of Mexico from the economic crisis of 1976 which ended the country's remarkable post-war record of stability, that the banking community worldwide was able to take this significant financing as a matter of course.

The facility in fact marks the largest *borrowing* by any developing country in the Western capital markets.

While Mexico is still classed as a developing country with intermediate income, it has now established itself a unique credit-rating of its own among the world's banks, notwithstanding its accumulated public sector *foreign* debt which should total $28bn-$30bn by the year-end.

A variety of factors, ranging from Mexico's strategic importance as a non-OPEC oil-exporter to its industrialisation programme over the next 20 years which promise attractive orders for Western and Japanese companies, has contributed towards this new perception.

The $1.5bn Pemex facility ranks with the $3bn raised in 1978 by Canada from the international banks to help safeguard its own economic stability, and the $2.5bn Eurocurrency loan mounted by Britain in the mid-1970's to help meet its worsening balance of payments.

The credit line will be used for financing the export of Mexican crude oil to world markets, thereby covering much of Pemex's short-term *borrowing requirements.*

Few bankers who rushed to reduce their commitments in *Mexico when the country* appeared to be on the verge of collapse three years ago *could* have foreseen the speed with which it would win back the confidence of the major banks.

In fact, Mexico's position has improved so radically that the *country has renegotiated* sizeable chunks of its foreign debt, prepaying old high-cost loans and replacing them with credits with much lower costs. The proportion of short-term debt in the overall borrowing total, much of which was incurred in the crisis of 1976, has also been reduced substantially.

Move

The first move towards prepayment of old uneconomic loans was initiated by Pemex itself last March, *when it* gave notice to its bankers that it wanted to retire two Eurocurrency credits totalling $600m.

The loans involved comprised a $300m facility arranged in 1976, and a transaction for a similar amount in *1977.* Both carried five-year maturities with margins ranging between 1½ and 1¾ per cent over *Eurodollar* interbank rates.

At one stage in 1976, Mexico's *credit rating had deteriorated* to the point where Eurocurrency margins of 1¾ per cent were conceded.

By contrast, the United Mexican States, via Germany's Westdeutsche Landesbank, are currently mounting a $200m loan for a five-year term at a spread of just ½ per cent.

Mexico can now justly claim, thanks largely to the potential of its oil, to be the first of the developing nations to offer substantial amounts of its Eurocurrency debt at terms to which hitherto only the major industrial countries could aspire.

Pemex itself is regarded by many bankers as the jewel in Mexico's crown, when it comes to preference among international banks for the various Government agencies in Mexico which regularly tap the international Money markets.

Ironically, much of this particular *status* afforded to the oil agency is based on fairly superficial analysis. In essence, this theory suggests that Pemex is the "best" risk in Mexico, based purely on the fact that the agency's expected cash flows are such as to leave it in the strongest position, compared with other State bodies, to meet principal and interest payments on its debt.

In reality, Pemex must, in this context, be purely regarded as a straight-forward Mexican State public sector borrower, and not subject to any particular privileged status.

Nevertheless, the perception that Mexico's recovery has been fuelled by its role as an oil producer and, as such, Pemex embodies this potential, is deeply implanted in much of the Eurocurrency market's thinking.

Foreign bankers acknowledge, however, *that the* stern economic discipline adopted by Mexico after 1976, including a large peso devaluation, the pursuit of more cautious development programmes, and the success in meeting economic targets set by the International Monetary Fund, also contributed to the attainment of stability.

For the foreign banks, the key figures for Pemex itself centre around the plans for total investments in the 1977/82 period costing $18bn.

Of this, at least $9bn will probably be borrowed from foreign sources, although only 30 per cent will consist of purchases of foreign goods and services.

According to some foreign banks' tentative calculations, up to $5bn may be necessary for the servicing of these borrowings, bringing the total cost for external Pemex debt to $14bn.

This compares with expected export income from petroleum and derivatives of about $40bn over the six-year period.

According to calculations by Mr. Armen Kouyoumdjian, the senior economist for the London-based International Mexican Bank, the net benefit to Mexico's trade should work out at $26bn in the period, to which could be added some $2bn represented by *import savings.*

Overall, oil and gas should thus contribute $28bn to the six years up to 1982, or an average $4.6bn annually.

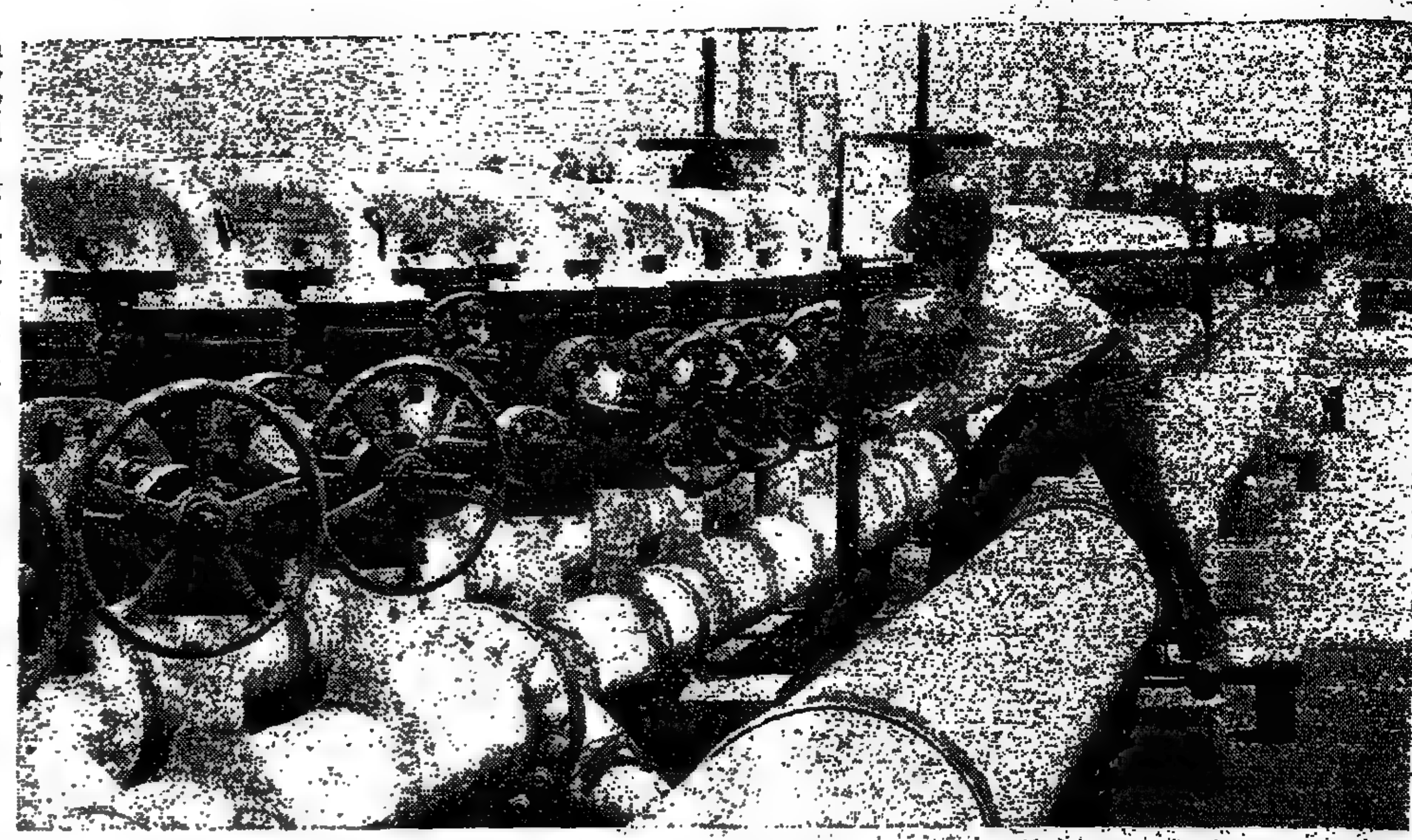
This annual trade benefit is more than three times the trade deficit for 1978.

Exports

Among foreign banks, it is perhaps the Japanese which lately have been ahead of the pack in courting Mexico City.

Japanese banks were recently reported to be studying the idea of making long-term cheap credit available to Pemex as part of a Japanese package for buying Mexican oil.

Japan is extremely interested in importing Mexico crude, although it has reservations over the price of the oil, which *is higher than most comparable OPEC grades.* At the same time, Tokyo is keenly conscious of its vulnerability *to sources of* OPEC supplies, particularly from the Arabian Gulf.



Well-head feeds at the Antonia J. Bermudez separation plant on the San Maria River, Mexico

Pemex is understood to have been offered $500m for a 10-year term at a straight 8½ per cent interest rate—some 3 per cent less than Eurodollar interbank rates.

The thinking behind offering cheap credit to Pemex is that this would be a means whereby the private Japanese oil companies could reduce the price differential between OPEC and Mexican oil. Japanese private banks and companies would get cheap finance from their own Export Import Bank, because it would ultimately be used to secure oil supplies.

The commercial banks would then make that money available to Pemex for oil development at a slightly higher rate, but which would still effectively reduce the price differential.

For Japan, the oil would *perhaps not be the only incentive.* Mexico's ambition to become a major industrial economy before the end of this century promises Japanese industry immensely attractive orders, in terms of such infrastructure areas of steel, transportation, and harbour development.

One subject that is frequently aired among the international banks is whether Mexico can be expected to become a net exporter of capital, due to its expanding oil revenues, sometime in the early 1980s.

Mexico's public sector foreign debt will probably rise to near $30bn by the end of this year, the second largest debt total of any country after Brazil, and one major legacy *of* the effort needed to recover from the 1976 crisis.

The *prospect of OPEC-type* surpluses from Mexico is clearly an attractive idea, particularly for banks with the largest commitments in loans to the country.

Impact

But the impact of oil on Mexico, bankers agree, will obviously not be similar to the transformation of the Gulf Arab oil producers, who remain the largest producers of monetary surpluses among OPEC members.

Some bankers believe there is little likelihood that Mexico *will* be able to generate such capital surpluses in the next 10 to 12 years—the period covering *the maturities of most outstand*ing Mexican State loans overseas.

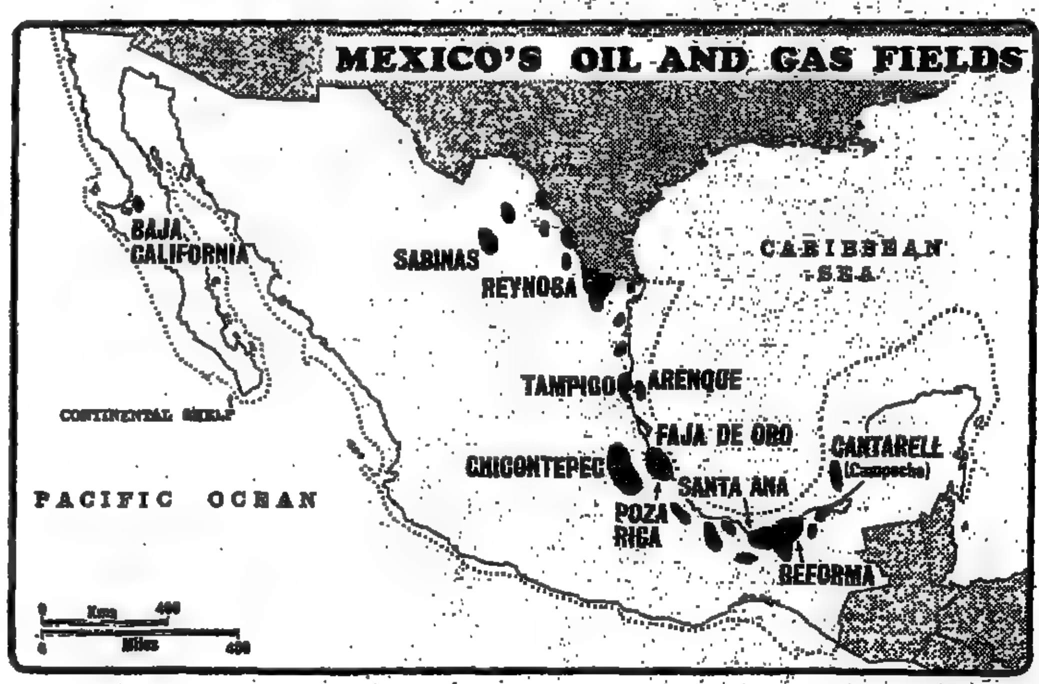
Mexico still has a residual need for balance of payments deficit financing. The improvement in the payments position will probably lag behind the more healthy trade picture, as no early decline in foreign debt servicing requirements is expected up to 1982. But thereafter, the early 1980s should witness an absolute *decline in gross* financing needs.

As well as the payments situation, foreign bankers believe that Mexico's own capital markets will not be sufficient to meet the *substantially* greater demands on them in coming years, and various supplemental sources of foreign capital will still be required.

Even at its optimum, Mexican oil production will represent a relatively small part of GNP. When the oil production plateau of 2.5m b/d is reached early in the 1980s, Mexico can expect to generate some $9bn of revenues annually (at 1979 prices).

This is equivalent to 10 per cent of Mexico's 1978 GNP figure of $92.4bn.

John Evans



Reserves

CONTINUED FROM PAGE ONE

development plan, has been taxed beyond its resources by the Ixtoc 1 offshore blow-out in the Gulf of Campeche. This accident has become one of the oil industry's worst ever disasters, judged by the volume of oil that has already flowed from the broken well. Pemex has sought assistance to deal with the blow-out from around the world.

The accident has raised doubts within Mexico about the speed at which the oil industry *is being expanded, but* the development of hydrocarbons must inevitably remain the key to Mexico's future and is at the centre of the present economy.

Oil and gas provide 87.5 per cent of all Mexico's primary energy requirements. Just 6.9 per cent comes from hydro-electricity, 5.3 per cent from coal and 0.3 per cent from geothermal sources. In 1976, oil-fired power stations also accounted for 59.1 per cent of all the electricity generated in the country, with 39.9 per cent coming from hydro-electricity, 0.3 per cent coming from coal and 0.7 per cent from geothermal energy.

It is clear that oil will not be a panacea for all the social ills of the country. The figures contained in the World Bank's World Development Report, published this month, show *how* deeply rooted are the country's social problems. Mexico's population, now 63m, is growing at the rate of 3.3 per cent a year and is projected to continue to grow until the year 2075. One out of four adult Mexicans is unable to read or write; while the bottom 20 per cent of the population share a mere 2.9 per cent of total household income, a low percentage even by the standards of income distribution of the rest of the middle-income countries.

It will need more than a few years of high oil revenues to bring prosperity, literacy and health to the remote country districts of Mexico or to bring acceptable living conditions to cities such as Mexico City whose population, according to the World Bank, will reach 32m by the end of the century.

Effect

The most important effect of the oil boom may well turn out to lie in the political, rather *than the economic,* sphere, in that the big oil revenues, produced by Pemex, and accruing *to the Federal Government will* do much to strengthen the hand of the State. This will be a major innovation, as for many years the Government has seen its influence steadily declining relative to the powerful private sector. It is only a slight exaggeration to say that under the previous Echeverria administration private business had become so strong that it was able to ridicule government attempts to increase taxes or restrain prices.

Whatever the domestic effects, it is plain that the new oil wealth has already had very positive results for Mexico in one important field, that of foreign relations.

Mexico as a country is being courted with extreme assiduousness by many nations whose chancelleries, a decade ago, seldom gave Mexico a second thought. Israel, for instance, now very heavily dependent o Mexican oil, all the more since the Ayatollah cut off su plies of Iranian crude to T Aviv. *Japan, too,* is seein Mexico in a new light; th Mexican Government is neg tiating the sale of up to 200,0 barrels a day to it. Mexico star in Central America an the Caribbean, where economi have been seriously imperill by the oil crisis, is also shinin more brightly than ever. T opportunities given to Preside Lopez Portillo to exert discre but powerful pressure on t governments of such Centr American trouble spots as Salvador, or to assist strugglin administrations such as those Jamaica and Nicaragua a very extensive.

Most important, however, f the Mexicans has been t transformation that their ne oil wealth has wrought on t relationship with the U.S. F the first time for many decade Mexico finds itself with stro cards in its hand as it plays eternal poker game with t colossus to its north. Washin ton's anxiety to have access, Mexican oil and gas has mea that Mexico can in its turn pre for more considerate treatme for the emigrant workers that sends to the U.S. and for non-oil exports.

Perhaps for the first ti since the chaotic days of t Mexican revolution, 70 yea ago, the U.S. Administration h been obliged to set up a speci study of Mexican problem Whatever happens to Mexico, will not be ignored in the futu by Washington as it was so ofte ignored in the past.

هكذا من الأجل

ECONOMIC VIEWPOINT

The true limits of insular monetarism

IF ANYONE is expecting to find in this article support for the idea that the British Government should abandon its monetary guidelines, attempt to push nominal interest rates downwards or intervene in the foreign exchange market to bail out by devaluation employers and unions who connive at otherwise unrealistic wage settlements, he should give up reading at this point.

Inflation is a monetary disease—and its course is determined by monetary forces and not by exhortation or public interference with individual wage and price decisions. The doubts that need airing are not on this central issue, but on the question of whether a fixed target rate of growth of one particular statistical monetary measure chosen by the central bank is itself an adequate monetary policy in a world of competing currencies. The practical lesson is that policy needs to be somewhat tighter than the published numbers suggest.

The distinction that I want to highlight is between monetarism in the broader sense—where it mainly means sound commonsense economics—and some of the more technical doctrines. The main contribution of monetarists to public understanding has not been in their much publicised fixed money supply growth rule, but in two other areas. First they have shown that full employment policies based on spending ourselves into a target employment rate are bound to fail. This is not because of a mythical balance of payments constraint, but because the minimum sustainable unemployment level depends on real—not monetary—forces.

If wages are prevented from reaching market-clearing levels; if the cost of living on social security relative to the gains from taking a job is low for important groups; if the capital stock has been depressed by political disincentives or uncertainties, or if labour mobility is impeded by bad housing policies, then traditional full employment policies can have at most temporary success—and nowadays not even that—at the expense of *accelerating* price increases.

Fallacies

The second contribution of monetarists has been to expose the fallacies of wage and price controls, which do not affect inflation, except temporarily, but do create new distortions and inequities likely to impair the workings of the price mechanism and thus increase the long run unemployment level. If monetarists, such as Friedman, have made these truths more widely understood, then it is because they are better general economists than their opponents.

The defect of monetarism—in the narrower sense of the fixed domestic money supply rule—is that it concedes too much power to official intervention, underrates the influence of competition in providing monetary substitutes, and takes official statistics far too much at their face value—all matters which Anthony Harris has discussed in some detail. The moral seems to be that in his own special subject, Milton Friedman is a dirigiste planner; or to be more precise that is what some of his more mechanistic disciples tend to be. For the professor himself tends to make common-sense adaptations to events and differing national circumstances.

It will demonstrate how monetarist arguments cut across normal political allegiances, if I point out that the main Chicago pioneer in the 1930s of the constant money supply rule was Paul Douglas, a Democrat who accepted nearly all the left-wing platform of his time—such as a "planned economy," public housing and the encouragement of unions. Douglas became a war hero, a U.S. Senator, and a hawk on Cold War issues but never abandoned his interventionist and egalitarian domestic policies. He also continued to champion the monetarist rule and was a moving force behind the Treasury - Federal Reserve Accord of 1951, which abandoned the pegging of interest rates and opened the way to Fed control of the money supply.

By contrast, Chicago economists such as Frank Knight and Henry Simons, whose political position was close to Friedman's today, favoured in the 1930s a discretionary monetary policy designed to offset velocity fluctuations. In our own day, F. A. Hayek, of *Road to Serfdom* fame, has made it clear that he is a monetarist only in the broad sense of believing inflation to be a monetary disease and not in the narrower sense of putting his trust in fixed national monetary targets.

As Hayek has recently written: "the fundamental objection to the adequacy of the pure quantity theory of money is that, even with a single currency in circulation within a territory, there is, strictly speaking, no such thing as the quantity of money, and that any attempt to delimit certain groups of the media of exchange expressed in terms of a single unit as if they were homogeneous or perfect substitutes is misleading."*

This could almost have been a quotation from the Radcliffe

Professor F. A. Hayek and Senator Paul Douglas—examples of how monetarist arguments cut across the doctrinal allegiances.

Report of 1959, notorious for downgrading monetary policy. The mistake made by Radcliffe, but not by Hayek was (a) to suppose that because money was difficult to measure, the limitations of its supply was unimportant and (b) to believe that that monetary policy could be conducted by the discretionary control of some subtle and immeasurable "state of liquidity" without any clear cut guidelines.

Historical

The main defence of the simple Friedman monetary rule is that the ratio of the money national income to the conventional definition of the money supply has historically been fairly stable or has changed very gradually. There are of course sharper temporary changes in velocity, but these are not sufficiently predictable to be offset by official action. On the other hand by keeping the money supply growing at well-publicised and non-inflationary stable rates, the authorities will be making the maximum feasible contribution in an uncertain world to minimising velocity fluctuations.

Hayek is prepared to accept a simple link between a conventional official measure of the money supply and the price level as "a useful rough approximation in a given territory where only one kind of money is employed. But it becomes seriously defective when there is competition between different currencies." It is perhaps unfortunate that Hayek's exposition is centred round his proposal for competing, privately issued, currencies. There is already competition between official national currencies in the international capital market, among world-wide corporations and the owners of OPEC balances, to name only a few examples.

Does the evidence really suggest that there is much stability in the international demand for dollars, marks, yen, sterling and gold? Stricter monetarists would be right if they replied that much of the instability derives from the unpredictable, erratic and inflationary behaviour of national governments, but this is hardly likely to vanish overnight.

Important evidence of the ineffectiveness of national money supply regulation comes from the expansion of the Euro-currencies. The most basic explanation I have seen of this phenomenon is that banks which are prevented by reserve asset requirements, in excess of their own prudential limits, from expanding at home, will instead expand overseas where such restrictions do not apply.

The invention of new monetary instruments to replace old, and competition between currencies, is likely to become more important as communications improve further and capital markets become even more closely linked. As British exchange control barriers come down, these external complications as well as the well-known domestic shifts into assets outside the official definition of sterling M3 will become important for sterling as well as for the dollar.

What practical conclusions follow? It seems to me that the official money supply figures will more often lead to excessively inflationary policies, than to the "fanatically deflationary" ones about which British critics complain. Cheap money warriors will find little comfort from the true qualifications to monetarist doctrine.

The main check to inflationary policies comes from switching in the international market place from one currency to another. One argument for abolishing exchange controls over and above all the usual ones, is that when there is free competition between currencies, the foreign exchange market will give earlier warning signals when conventional money supply monetary indicators are misleading, as they have been doing for the dollar.

It may in the end be found that only money linked to a commodity such as gold, or some intrinsic non-monetary value, will survive really free competition. This is the view of another far out school of Austrian theorists who would regard Hayek's contemplation of purely paper currencies as itself rank inflationism. But these issues will be decided by events rather than by argument and then only in the very long run.

Reserve base

There are also some more immediate policy lessons. Not only is it necessary to switch over to a reserve base method of controlling the domestic money supply, but the reserve ratios which central banks influence through their open market operations should be those freely chosen by the commercial banks (influenced only by consumer-protection type laws) rather than unrealistic ones invented for control purposes. It will be important to take into account overseas as well as domestic deposits, and world as well as domestic demand, in formulating monetary growth rules.

In a world of competing national currencies *ultimately* it may be best to leave the job of price stability to the managers of one or two currencies such as the D-mark and the yen, who have shown that they are good at it. The correct monetary rule for national authorities will then be to carry out whatever policy leads to a stable exchange rate, without intervention, against the yen and the D-mark.

This is not a course to be commended however to countries with bad inflationary records, such as the UK and Italy. There will be any number of fair weather supporters for a policy of exchange rate stability against the German mark in those brief periods such as the present when it would lead to looser UK monetary policies, but who will fall by the wayside when longer-term relationships reassert themselves and an exchange rate target calls for tightness. An abandonment of the present monetary guidelines now, or failure to adopt medium-term ones, would rightly be regarded as an inflationary U-turn, however much was said about moving to an exchange rate target instead.

The time for an exchange rate target designed to keep the pound close to the D-mark will arrive when such a policy requires reducing the domestic guidelines for monetary growth rather than expanding them. Until then simple-minded monetarism will still be the best course — so long as the authorities keep an eye on all possible definitions of money, not for the purpose of apologetics, but to make sure that they are not creating too much money through the many back doors in the system.

* *The Denationalisation of Money*, Institute of Economic Affairs, 1978, second and later editions only.

Samuel Brittan

Letters to the Editor

Underlying strategy

From Professor Patrick Minford

Sir,—I would like to comment both on Samuel Brittan's article on August 2—Unbelieving Monetarists are not enough—in which he kindly referred to my views and on the latest statements from Terry Burns and Alan Budd of the London Business School about the public sector borrowing requirement.

The first point being made—by myself as by the LBS, by David Laidler and Gordon Pepper—about the PSBR is that it is legitimate when pursuing a long run strategy to allow the traditional fiscal stabilisers to work. These stabilisers are of two sorts: the automatic reduction of tax revenue and increase in social security payouts when output declines, due to the fixity of tax and benefit rates, and the modest use of variations in tax rates to respond to expected economic slack or demand pressure.

The key point about these stabilisers is that everyone knows how and when they will work and so they impart no shocks in themselves to the economy; rather they allow some dampening of other shocks.

The second point being made is that where there is no clear long run strategy it is hard for people and firms to distinguish between short run "stabiliser" deviations and underlying changes. In these circumstances illustrative figures such as the £11½bn discussed by the LBS are frankly alarming, because, if taken seriously and misinterpreted, they could give the impression of a change in underlying strategy. Such figures while only illustrative—and the LBS make clear their preference for a lower figure—are in any case a lot higher than I believe would be appropriate in any conceivable circumstances in 1980-81, as I argue below.

For these two reasons, Samuel Brittan and all those cited stress as I do the need for an early commitment by the Treasury to a clear long term path for the PSBR and the money supply, together with a clear statement of what sort of stabilising reactions they propose to follow and allow. Armed with such information, people will not be alarmed by temporary deviations on these critical magnitudes.

All this said, it remains the case that significant progress must be made in the aim of reducing the PSBR as a fraction of GDP in 1980-81 regardless of the output prospect. Furthermore, while some slowdown in output growth is likely in 1980 because of more sluggish world economy, it should not be exaggerated. I am surprised by reports (Peter Riddell, August 22) of virtually unanimous opinion inside and outside Whitehall that there will be a severe recession in 1980. Such opinions must rely on a supposed "monetary crunch" between high inflation and the reduction in the PSBR and in money supply growth; the groundless assumption is made that inflation will not respond to this reduction so as to avoid such a crunch. It is groundless because people and firms will recognise the monetary constraints that face them; normal economic behaviour will then dictate that they set their prices and wages in money terms consistently with these constraints.

Hence the main effect of a systematic reduction in the PSBR will be on inflation; this systematic reduction must proceed regardless of the internationally induced slowdown in the UK. The resulting reduction in interest rates and rise in the real value of private sector financial asset holdings will in any case be beneficial to private sector confidence and willingness to spend.

(Prof.) Patrick Minford.
University of Liverpool,
Eleanor Rathbone Building,
P.O. Box 147,
Liverpool.

Public sector borrowing

From Mr. R. Coghlan.

Sir,—The suggestion (August 23) by the London Business School that a public sector borrowing requirement of £10½bn would represent a significant tightening of financial policy, because of the low level of demand expected next year, has attracted a great deal of attention. It is a standard "Keynesian" suggestion which has been spotlighted because of the monetarist stance generally adopted by the LBS. But "Keynesian" it is and the proposal can make little sense within a monetarist analysis.

It is reasonable to argue that the Government should avoid the dangers of making policy unnecessarily deflationary, that is certainly a point worth making. That, however, has little to do with the size of the PSBR, particularly under present circumstances. Money is important because there is a relationship between the overall level of demand within the economy and the finance required to make those demands effective. It is recognition of this financing requirement that distinguishes a monetary approach to economic analysis from the "Keynesian" approach.

If it is accepted that financial conditions within the economy, as reflected in the supply of money, are an important determinant of overall demand, then the Government have options other than increasing the PSBR which will serve to maintain a given level of demand. The LBS's implicitly assuming that the present PSBR of £8.3bn (or £9.3bn if asset sales are excluded) is acceptable or even optimal, and that the only way to stimulate the economy is through further increases in the PSBR. It is to be expected that there are benefits to be derived from fiscal management which may include the size of the PSBR but these are generally microeconomic and distributional in character and should have their major impact on the supply side of the economy, not on aggregate demand.

Recognising the importance of money and the financial side of transactions suggests that it would be better for the Government to cut the PSBR still further and to sell less public sector debt. This would allow interest rates to fall and in this way to stimulate private sector demand. Movement in this direction is essential if the Government is to achieve its objective of stimulating private sector output, and, hopefully, of running a current account surplus on the balance of payments.

Richard Coghlan,
McAnally, Montgomery and Co.,
18, Finsbury Circus, EC2.

Production line painting

From Mr. R. Clark.

Sir,—"Art on a handful of rice" in Men and Matters on August 16 was read with interest but tinged with some amusement.

Hong Kong is not the only place where cheap copies of oil paintings are or have been reproduced. For many years paintings on a production line basis have been produced in Europe along with various signatures and potted biographies. We agree copyright should not be infringed and deplore any attempt at this. Your article, however, only gives one side of the story.

Hong Kong and other areas in the Far East are not all hot beds of fakes—fiddles—and sweat shops producing just "wall decor." The Chinese and other eastern peoples have a history of many thousands of years of painting. They have many talented artists who not only paint in their traditional styles but also in European styles. Their exporting to this country the efforts of their fertile imaginations is no different from print manufacturers exporting their prints to Hong Kong, etc., which they do. It is simply a matter of business economics.

After all, the public is the final jury in the purchase of "mass art" and will only buy what they like and consider a reasonable purchase.

R. L. Clark,
Oriental Art,
Hillbeck House,
Roundwell,
Bearsted,
Maidstone, Kent.

New auditing requirements

From Mr. B. Mogford

Sir,—The requirement that companies should be subject to audit was laid down in order to protect that company's shareholders and creditors. Small companies in the audit situation are prone to two particular problems. The cost of the audit is relatively greater than is the case with larger companies. The auditor tends to be more closely involved with directors and management of the company, so that he is, prima facie, less independent.

Because of this close association and the application of subjective standards, shareholders and creditors in unsound companies have often not been protected by the carrying out of an audit.

This blanket approach—"audits for all"—has resulted in higher costs for sound companies without necessarily achieving the benefits envisaged for shareholders and creditors of unsound companies.

There is merit in extending the market economy approach to audits. If the directors of a company wish to have an audit, they can buy one. But they would not be compelled to spend money on an audit if they could not see an economic justification for so doing.

There are, however, consequences in allowing companies to opt out of an audit. The more powerful creditors, eg banks, will require audited accounts before they advance money to the company. Therefore, many small companies will, from a purely practical point of view, continue to be audited. It seems to me doubtful that a mere review would satisfy creditors such as banks.

Abolishing compulsory audits would undoubtably also lower reporting standards. (This is human nature and it would be foolish to think otherwise.) Therefore, as a quid pro quo, shareholders and creditors (including banks, Inland Revenue, Customs and Excise and trade creditors) should have the right to petition for an audit. The petition would be made to a newly constituted Board of Commissioners of Small Companies, this body being financed by a levy on all companies. The Board would consider the prima facie evidence of the need for an audit; where it thinks fit, appoint the auditors (who should be independent of the company's present accountants); and pay the audit fee.

The major advantage of this procedure is that publicity about the appointment of auditors to a company would immediately place creditors on guard, delay being the principal enemy of a creditor of a company in danger. Undoubtedly, fear of an audit petition being made in respect of the company would help maintain general reporting standards.

This approach would release small companies from legislative burdens of an audit where circumstances permit; release accountants to perform a more productive management accountancy role; while increasing the powers of members and creditors, and increasing the independence of auditors. Care would have to be exercised to control the tendency of bureaucracy to burgeon, and to ensure the fair allocation of audit work.

Brian Mogford,
318, High Street,
Harborne, Birmingham.

Part of income

From Mr. A. Lister

Sir,—I have read with interest the comments concerning the taxation of the use of cars provided by employers for their employees. I am a director of a company which owns 50 vehicles and my views are as follows.

The day of the oncost "perk" as a supplement to considering earnings is really past. Irrespective of type of cars, an employee's first priority is, how much is he/she being paid. The "perk," medical expenses, cheap loans etc. are now part of an employer's normal oncost and not really recognised by the employee as part of his income. Any attempt by the Revenue to add a value of these invisible earnings to an employee's income would immediately create an inflationary demand by the employee to be reimbursed for the net loss suffered.

All in all, the Revenue doesn't lose: after all, one man's expense is another's income.

I am sure that owners of commercial undertakings in assessing the value of an employee will certainly be aware of the reduction in taxation and adjust accordingly.

Alan Lister.
59 Hampstead Way,
NW11.

Today's Events

GENERAL

UK: Trades Union Congress general council meets in Blackpool.

Transport and General Workers Union delegate conference on industrial civil servants pay offer, Transport House, London.

Cricket: fourth test, England v. India, opens at the Oval, Kennington.

Overseas: Extraordinary session of Japanese Parliament called to announce date of general election.

Mr. Walter Mondale, U.S. Vice-President, continues tour of China.

COMPANY RESULTS

Final dividends: Brown Brothers Corporation. Erskine House Investments. Somportex Holdings. **Interim dividends:** BBA Group. Blue Circle Industries. Lex Refrigeration. Mixconcrete (Holdings). Refuge Assurance Company. Scottish Agricultural Industries. Scottish Northern Investment Trust. Sharpe and Fisher. Stewart Wrightson Holdings. **Interim figures:** House Property Company of London. Plessey (first quarter figures).

COMPANY MEETINGS

Abwood Machine Tools, Royal Victoria and Bull Hotel, Dartford, 12. Barker and Dobson, Hyde Park Hotel, Knightsbridge, SW, 12. Bassett Group, Social Hall, Livesey Street, Sheffield, 3.30. Peter Brotherhood, Confederation of British Industry, 21 Tothill Street, SW, 12. CH Industries, The Carlton Tower Hotel, Cadogan Place, SW, 12. Carclo Engineering, Hightown Road, Cleckheaton, 3. Hollis Brothers and E.S.A., Howard Hotel, Temple Place, WC, 12. Initial Services, Connaught Rooms, Great Queen Street, WC, 12.15. Investment Company, St. Martin's House, 16, St. Martins-le-Grand, EC, 12. James Latham, Leeside Wharf, Clapton, 2.30. Phillips Patents, Grand Hotel, Aytoun Street, Manchester, 12. Sheffield Refreshment Houses, Kenwood Hall, Kenwood Road, Sheffield, 12. Symonds Engineering, Great Eastern Hotel, Abercorn Rooms, Middlesex Room, Liverpool Street, 12. Tex Abrasives, George Hotel, High Street, Colchester, 12. Vinten Group, Angel House, Bury St. Edmunds, 12. Wallis Fashion, Connaught Rooms, Great Queen Street, WC, 12. Whittington Engineering, New Whittington, Chesterfield, 12.

Acquisition boost helps Asda jump to £41m

Boosted by acquisitions the taxable profits of Associated Dairies Group rose from £26.2m to £41.01m in the year to April 28, 1979 on turnover well ahead from £536m to £791m. The figures include a year's contribution from Allied Retailers and Wades Departmental Stores.

	1978-79 £000	1977-78 £000
Turnover	791,000	536,000
Profit before tax	41,008	26,202
Tax	17,537	6,280
Profit after tax	23,471	19,922
Less pre-acquisitn. profits	2,773	—
To minorities	4	8
Making	20,694	19,914
Extraord. debit	800	—
Attributable	19,894	19,214
Preference divs.	10	19
Ord. dividends	5,854	696

As forecast the final dividend is 4.3p net which lifts the total from an adjusted 0.6495p to 5p per 25p share. There is also a one-for-two scrip issue. The total dividend absorbs £5.85m (£696,000).

At midway, the taxable surplus advanced 26 per cent to £14.5m and the directors then said all divisions were performing satisfactorily in the face of increased competition. The Asda Superstores had made significant gains in non-food sales as well as in fresh foods and basic groceries.

The year-end depreciation charge is up from £4.08m to £7.04m after crediting a proportion of investment grants received.

The tax charge rises from £6.28m to £17.54m and stated earnings per share are down slightly from an adjusted 18.59p to 18.41p.

The attributable surplus is steady at £19.9m after pre-acquisition profits of £2.77m (nil), an extraordinary debit of £800,000 this time and minorities.

See Lex

HIGHLIGHTS

Marks and Spencer has revealed details of its price-cutting exercise and Lex considers the effect on the stores sector and discusses the proposition that the group had allowed its prices to rise to the extent that volume was beginning to suffer. Lex also inspects the latest results from **Associated Dairies** and **Ladbroke** and looks at **Lindustries'** spirited defence to the offer from **Hanson Trust**. Elsewhere the structure of **Barker and Dobson**, on the morning of the annual meeting, and **Commercial Union's** moves in Australia and New Zealand are examined in detail. Other companies reporting include **Johnson Matthey** with first-quarter results, profits from **Nurdin and Peacock**, **Nu-Swift**, **J. Saville Gordon**, **Slough Estates** and **Crouch Group**.

Nurdin ahead to £2.32m and expects second-half increase

ON increased turnover of £129.79m, against £110m, taxable profits of Nurdin and Peacock rose from £1.5m to £2.32m in the first half of 1979. And the directors of the cash and carry wholesaler expect increased second-half profits—in the last full year, the surplus reached a record £5.44m.

Mr. W. M. Peacock, chairman, says the half-year sales increase helped contain costs. The usual dull period from January to March was enlivened by the bad weather which reminded people of the value of the local shop, he adds.

The resultant buoyancy in sales continued for the rest of the period. In addition, the computer system is steadily contributing to efficiency, particularly in costs and security control.

Since the end of June, sales have risen 14 per cent over the same period last year. The chairman explains that the smaller rate of advance is mainly caused by pre-Budget buying, of spirits and cigarettes in particular, and the lower sales of those items since.

The sales increase of the rest of the range continues at about the same rate as in the first half, the chairman adds.

After tax for the half-year of £508,000 (£312,000), earnings per 10p share are shown to have risen from 4.13p to 6.3p. The net interim dividend is stepped up from 0.87p to 1.5p, and the directors hope to make a similar percentage increase in the final, which was 1.1879p last year.

● **comment**

A 55 per cent rise in interim profits pushed **Nurdin & Peacock's** share price 10p higher to a record 126p. This growth rate will almost certainly not be maintained over the full year as the comparative period of 1978 was very flat and the group benefited from budget spending, the transport strike (stocks were high) and bad weather (retailers were buying locally). Nonetheless, with the October tax rebate and Christmas still to come, profits of £7m can be hoped for. This would give a fully-taxed p/e of 10.7, a demanding rating but supported by the recent track-record. Given the strength of its performance and the boost that higher petrol prices should give to small retailers, Nurdin might be accused of excessive caution. At the end of last year it had cash and short-term deposits of almost £10m but investments are still being made rather guardedly. At the same time, while the dividend boost of 72 per cent looks generous, it may not be enough to delight all shareholders. If the final is increased by the same amount, the yield will be only four per cent and the payment will be covered over three times. The group's answer to any suggestion that it is treading softly would be that, having done so well so far, there is no need to rock the boat.

Increase for Nesco Investments

An increase in taxable profits from £0.65m to £0.86m for the year ended February 28, 1979, is announced by Nesco Investments, formerly the Nigerian Electricity Supply Corporation.

As known, dividends for the year total 13.4p net, against 13.2p last time.

At an extraordinary meeting on September 21, shareholders will be asked to approve a resolution reducing the capital to comply with a Nigerian decree for the company to cut its shareholding in the local subsidiary to 60 per cent.

Pearl expands and holds underwriting loss to £3m

ATTRIBUTABLE profit of Pearl Assurance Co. improved by £0.8m to £3.05m for the first half of 1979. Again there was no tax charge and the underwriting loss was maintained at £3m, against £2.96m.

All but some £40,000 of this loss arose in the UK and here £2.69m was incurred in the first quarter.

Life business produced a surplus of £3.15m (£2.77b) with the contribution from the ordinary branch £0.21m higher at £1.75m and the industrial branch up at £1.4m, compared with £1.23m.

Stockholders investment and other income net of expenses was ahead from £650,000 to £840,000 but the advance was offset by a general branch trading loss before tax of £0.94h (£1.17m).

In the general branch marine, aviation and transport business is excluded from the profit and loss account because half year figures are not available but their effect is expected to be marginal say the directors.

The figures for industrial life business relect the introduction of the new system of life assurance premium relief. This accounts for a large part of the rise in premium income from £39.98m to £49.54m and helped towards a 32 per cent increase in new annual premiums.

Ordinary life business premium income rose to £44.1m (£32.62m) with the single premium and considerations for annuities ahead from £6.04m to £12.22m.

Of the total new ordinary life business, amounting to £268.7m (£229.8m), sums assured of £51.9m (£8.4m), new annual premiums of £2.6m (£0.38m) and single premiums of £8.4m (£1.77m) related to asset-linked policies written by the company's subsidiary Pearl Assurance (Unit Funds).

Premiums written in the general branch (including marine, aviation and transport business) were up 11.6 per cent from £20.92m to £23.34m. This growth was a little depressed by the higher rate of conversion of the U.S.$ content of marine aviation and reinsurance business. It was also affected by the exclusion from the 1979 figures of the Zimbabwe Rhodesian business which has been transferred to the company's recently-formed subsidiary there. But for these factors the growth would have been 14 per cent, the company explains.

The net interim dividend is stepped up to 5p (3.85p) to reduce disparity, and costs £1.8m (£1.39m). The final last time was 10.20343p paid from attributable profit of £6.48m.

Of the underwriting loss the directors say that the early part of the year is normally a heavy claim period but this time it was particularly poor due to the exceptionally severe weather. The gross cost of UK claims in the first three months were 120 per cent higher than for the corresponding figure for 1978.

There was a big improvement in the second quarter results on UK business. Some classes—including motor—showed small underwriting profits for the quarter while the loss on the predominating property account fell from £1.78m in the first quarter to £0.37m in the second to give an underwriting loss of £2.15m for the half year.

A realistic figure of life business surplus can only be arrived at after the annual valuation. The figures shown as stockholders' surpluses in the Ordinary and Industrial Branches for the first six months of 1979 are cautious estimates of half their expected share of the surpluses for the year the directors point out.

As Pearl is providing this information for the first time the figures shown for the first six months of 1978 are half the actual surpluses for that year.

The directors again stress that provisional half-year figures in the general branch should not be regarded as a reliable guide to the outcome for a full year and this is especially true since the mix of business is particularly susceptible to weather conditions.

	Half-year 1979 £m	1978 £m
Life business—		
Ordinary branch—		
New annual prems.	8.00	7.60
New sums assured	249.40	196.20
New annual annuities	11.30	26.10
Premium income—		
Renewable	31.89	26.58
Single*	12.22	6.04
Industrial branch—		
New annual prems.	11.60	8.70
New sums assured	148.40	123.10
Premium income	49.54	39.98
General branch—		
Premiums written	23.34	20.92
Underwriting	−3.00	−2.96
Investment income	2.06	1.79
Pre-tax loss†	−0.94	−1.17

* Includes considerations for annuities. † On trading.

In the first half the company's main sales campaign in the ordinary branch was directed towards unit-linked business, particularly single premium business, whereas in the first six months of last year the concentration was on self-employed deferred annuities.

This accounts for the fall in new annuities per annum from £26.1m to £11.3m, the small increase in new annual premiums and the more than doubled total for single premiums.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Assoc. Dairies	4.3	—	0.31*	5	0.65*
Cement-Roadstone int.	1.82	Oct. 6	1.52	—	3.85
Crouch Group	3	Oct. 17	2.07	4	2.98
Grovebell int.	0.5	Oct. 19	0.5	—	1
Ladbroke int.	5.7	Oct. 10	3.8	—	7.82
Edward Le Bas int.	0.96	Oct. 12	1.01	—	1.84
Nurdin & Peacock int.	1.5	Oct. 11	0.87	—	2.06
Nu-Swift Ind. int.	0.84	Oct. 8	0.73	—	1.75
Oakbridge	6§	—	6	12	12
Pearl Assurance int.	5‡	Oct. 12	3.85	—	14.05
H. & J. Quick int.	1.06	Oct. 15	0.88	—	1.83
T. Robinson int.	0.82	Oct. 11	0.82	—	3.78
J. Saville Gordon	1.94	Oct. 26	1.23	2.44	1.63
Slough Ests. int.	0.9	Oct. 15	0.67*	—	1.69*
Thurgar Bardex int.	0.3	Oct. 5	0.23*	—	0.57*

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ To reduce disparity. § Australian cents throughout.

H. & J. Quick improves

PROFITS BEFORE tax of H. and J. Quick Group, passenger and commercial vehicle dealer, increased from £869,088 to £848,892 for the first half of 1979, on turnover up some £10m at £39.96m.

Last April, reporting on a best-ever taxable profit of £1.03m for 1978, the Board expressed confidence of another record in the current year.

First half earnings per 10p share improved from 12.12p to 14.91p and the net interim dividend is stepped up to 1.06p (0.88p)—last year's total was 1.828p.

Using SSAP 12 guidelines, tax for the period took £30,705 (restated £31,546) giving net profits ahead from £647,542 to £818,187.

Crouch Group up 69% to £760,000

AFTER THE midway improvement from £259,200 to £389,080, taxable profits of Crouch Group moved further ahead in the second six months ended March 31, 1979 to finish 69 per cent higher at £760,000 compared with £449,000. Turnover rose from £10.48m to £15.38m.

The results include a satisfactory contribution from the newly formed commercial development subsidiary, Crouch Developments.

Interest payable was well up from £71,000 to £388,000. There was a tax charge of £88,000 against a £110,000 credit, which has been restated to take account of relief for tax losses claimed against prior year liabilities.

Earnings per 25p share improved from 13.27p to 17.3p, while a net final dividend of 3p (2.0675p) raises the total payout from 2.975p to 4p.

Residential business had a buoyant year, the directors state, and Crouch Homes has taken advantage of the market to produce improved profits and acquire further well located sites for the future.

The contracting company has recently undergone a strengthening of management and is now building for the group's commercial development company.

● **comment**

Crouch's share price, up 6p to 80p yesterday, trails a long way behind net worth which is now estimated at over 150p a share. This is probably understandable as the group transfers its emphasis from residential estates to commercial and industrial property and more so since the decision to retain or trade new developments is taken very much on an ad hoc basis. A good part of the year's 69 per cent pre-tax profit growth stems from a surplus taken before completion on the sale of a 25,000 square foot office block in North London. The contribution from residential developments was broadly unchanged as was net rental income but revenue from the recent Manchester deal was almost entirely absorbed by refurbishment costs. This year, Crouch expects to maintain the level of housing activity, with perhaps a higher margin as the operation trades up market, and to take substantial property trading profits from any of the five current developments which are not taken into the investment portfolio. If the group can be regarded as a property stock, a yield of 7.3 per cent is attractive and a fully taxed p/e of 8.5 is not particularly demanding. But if the gap between asset and equity valuations is to narrow, a longer record of successful property investment and, perhaps, a more formal trading structure will be needed.

Unigate looking for improvement

AN IMPROVED performance at Unigate in the current year is looked for by Mr. John Clement, the chairman, in his annual statement.

However, he points out that the Board is concerned about the reappearance of inflationary pressures in the economy, the downturn in world trade which could result in lower economic activity in the UK, the energy situation and above all the apparent inability of governments to grapple with the EEC surpluses problem.

As reported July 18, pre-tax profits for the year ended March 31, 1979 rose by 38 per cent from £31.48m to £43.43m on turnover up 16 per cent to £1.18bn. Particularly good performances were achieved by the meat division with a profit increase of over 70 per cent and the transport and engineering side where the rise was over 30 per cent.

Last month, the company also announced the sale of 16 of its creameries to the Milk Marketing Board for £55m plus an estimated £33m for stock.

Using the Hyde Guidelines, inflation adjusted pre-tax profits emerged £14m (£10.4m) lower, after extra depreciation of £10.2m (£9.2m), cost of sales £10.1m (£7.8m), less a gearing adjustment of £6.3m (£6.6m).

The company has reorganised its marketing, selling and distribution service, in an effort to improve its customer service and with increasing energy costs in mind.

During the year investment in a major new dairy in the London area was authorised and building is well under way. This investment will amount to more than £20m and will result in increased efficiency in the processing and bottling of liquid milk.

Capital expenditure was almost £50m (£28.5m) compared with a depreciation charge of £14.3m. This together with an increase of £23.1m in working capital, largely contributed to a decrease in net liquid funds of some £15.6m compared with a £8.7m rise previously.

Meeting, Grosvenor House, W, September 20, noon.

ISSUE NEWS

EPIC £4.6m rights to cut back debt

BY ANDREW TAYLOR

A £4.6m rights issue was announced yesterday by **Estates Property Investment Company**. The cash is to be used to reduce further EPIC's short-term debt and also to fund current development plans.

In addition, the property group said the issue would provide a stronger capital base to support future borrowings—when interest rates are more favourable.

Shareholders are offered one new share at 125p for every four already held. Phoenix Assurance, controlling a 23.8 per cent stake, will take up the offer in full.

At the same time, EPIC announced plans to raise its net dividend payout to 6p in the current year—a 41 per cent increase on last year's 4.25p. But EPIC's share price fell 2p to 146p yesterday.

The group, which specialises in industrial properties, said some of the cash would be used to fund redevelopment at Trafford Park and further development at Sittingbourne—as well as the long-deferred redevelopment at Camberwell.

The group is also seeking a *further* reduction of short-term debt. This has already been cut by the sale, in March, for around £2.5m of its 90 per cent stake in its troublesome Brussels site.

Development of the site has been shelved for a number of years, during which time the group has had to carry the burden of high interest payments on its Brussels investment.

A pro-forma balance sheet at August 10 shows total borrowings of £11.1m—of which around £2m is short term—against shareholders' funds in the latest accounts of £28.4m. The accounts, for the year ending April 30, 1979, show properties revalued at £41.3m, a surplus over book value of £16.1m.

Mr. C. N. Knight, EPIC chairman, said the revaluation results in a net asset value per share of 194p which, after adjustment for the rights issue, would be reduced to 179p.

Quilter Hilton Goodison are brokers to the issue which has been underwritten by Hambros Bank.

UK COMPANY NEWS

Ladbroke rises 20.9% to £16.7m at interim stage

PRE-TAX profits of Ladbroke Group for the half year ended July 3 1979 rose by 20.9 per cent from £13.8m to £16.7m on turnover well ahead at £257.3m against £221.4m.

Mr. Cyril Stein, chairman and managing director, states that turnover is at its highest in the second half of the year and, taking into account the current buoyancy of its operations, the group is set to achieve good results for the full year.

Profit for the year ended January 2 1979 advanced to a record £41.45m (£24.3m).

The chairman says that trading across the divisions continues at a high level. The effect on profits in the early part of the year, due to bad weather and national industrial disputes, was considerable, but has been largely overcome.

Stated earnings are 16.9p (14.8p) per 10p share and the net interim dividend is raised by 50 per cent to 5.7p (3.8p)—last year's final payment was 4.0166p.

Trading profit, £18.33m compared with £13.93m, was split as to £17.49m (£13.93m) from the UK, and £843,000 (£4,000) from overseas.

	Half-year 1979 £000	1978 £000
Turnover	257,253	221,372
Trading profit	18,331	13,934
UK	17,488	13,930
Overseas	843	4
Interest	1,636	130
Pre-tax profit	16,695	13,804
Tax	7,192	5,946
Profit after tax	9,503	7,858
Minority interests	189	81
Pre-acquisition profit	—	41
Available	9,692	7,898
Extraord. credit	1,035†	—

† Obtained from sale of group's 16 per cent holding in Ritz Hotel (Paris) and is available for distribution.

Mr. Stein says the overseas contribution relates to net income receivable following the completion of letting agreements on property investments.

Interest for the six months, up from £130,000 to £1.64m, has risen since costs on the funding of the overseas properties, after letting, are no longer capitalised. Net income in 1980 is planned to exceed funding costs.

The chairman reports that the group's divisions are continuing to expand at a fast pace and, through a high level of capital expenditure, Ladbroke is increasing its asset base and is establishing new opportunities for profit growth.

Referring to the refusal of renewal of certain casino licences, Mr. Stein says that application has been made to the Crown Court for a rehearing, but this is not expected to take place for some time.

See Lex

Nu-Swift advances to £0.6m and forecasts year-end record

RECORD pre-tax profits are reported by Nu-Swift Industries, the fire extinguisher group, in the half-year to June 30, 1979. And the group forecasts another record at the year-end when it anticipates reporting profits up from £854,000 to £1.25m.

At halfway the pre-tax surplus rose from £506,000 to £641,000. Turnover expanded from £5.38m to £6.42m with the biggest increase coming overseas where sales were lifted from £1.5m to £2.26m.

The group began the year with a high order book of £841,165 and the directors now say that even with record mid-year turnover, the order book is much higher at more than £1.25m.

The Board adds that the overseas companies traded successfully, with Spain making the largest profits contribution.

On the second half the directors say earnings could be affected by the strength of sterling. High material prices coming through the pipeline and the unrest in the engineering industry are also causing concern. Nevertheless, they still anticipate record profits for 1979.

The net interim dividend is lifted from 0.725p per 5p share to 0.84p. Last year's total was 1.748p.

Profit after minorities is ahead from £515,000 to £635,000 and stated earnings per share are up from 2.57p to 3.17p.

A revaluation of land and buildings revealed a £1m surplus and plant and machinery is also to be revalued for the year-end. These revaluations are expected to show a combined surplus over book value of more than £2m.

● comment

Nu-Swift's first half results—profits are 27 per cent higher—reflect contributions from the new operations in Spain, Switzerland and Holland. No breakdown is given so it is difficult to assess how much underlying growth there has been in overseas markets, which now account for roughly a third of group sales. In the UK, sales were only 8 per cent higher, but this is probably quite encouraging given the impact of national strikes and the adverse weather conditions during the winter. Overall, a healthy order book suggests further growth in the second half, although the continued strength of sterling will dampen the overseas results. On the company's forecast of £1.25m pre-tax, which is probably conservative, the shares, at 30p, are on a prospective fully-taxed p/e of 9.7 while the yield is a barely covered 10 per cent assuming the rate of interim dividend increase is repeated at the final.

Slough Estates £0.7m higher

PRE-TAX profits of Slough Estates were ahead £0.7m to £4.49m for the first half of 1979 and the directors are confident the full-year results will exceed those for 1978. Last year, a record £8.23m was achieved.

Half-yearly turnover advanced from £13.89m to £16.75m, split as to: UK rentals £7.28m (£6.09m), overseas rentals £2.96m (£2.48m), sales of electricity, steam, water and gas £4.79m (£3.91m), merchandise sales £1.72m (£1.52m).

Mr. Nigel Mobbs, the chairman, says that in the UK, demand for activity on all the group's factories and warehouses continued to be strong with leasing activity on all the group's industrial estates.

Sales of utility services increased during the period though results of this division continue to be adversely affected by high fuel costs. Construction commenced on the new gas turbine/waste heat boiler installation and the programme is on target for commissioning in early 1981.

Overseas, conditions remain generally satisfactory, with good progress being maintained on new industrial building in Canada, Australia and the U.S., the construction and letting of the Tournai shopping centre in Belgium, and the Chicago office block.

The amount of space completed and re-developed increased over the corresponding period last year. New development and construction are expected to continue at a high level during the remainder of the year.

After-tax earnings for the half year increased from an adjusted 1.57p to 2.19p per 25p share, while the interim dividend is effectively lifted from 0.67p to 0.9p net—last year's total was an equivalent 1.686p.

Tax was reduced from £1.6m to £1.45m in the period, giving net profits up from £2.19m to £3.04m. There was a minority loss of £20,000 (£10,000 profit) and ordinary payments absorbed £1.25m (£0.92m).

The Board has indicated in the particulars of the £24.88m 8 per cent convertible unsecured loan stock 1991-94, that it intends to increase the total payout by 30 per cent.

● comment

Slough was down 1p yesterday at 109p but the shares are not about to move very far in any direction until the results of the September 30 portfolio revaluation are known. Outside estimates of net worth range between 130p, 135p and 140p per share. At anything like the two lower projections the share may be vulnerable for the discounts to asset backing would be 16.1 per cent and 19.3 per cent respectively. At the top of the range, the discount would be 22 per cent, which looks just about right. Meanwhile, UK and overseas rental growths at the interim stage are running neck and neck at just under 20 per cent while Slough plans to complete 700,000 sq ft of UK industrial space this year to bring the domestic total up to just under 11m sq ft and 500,000 sq ft of additional space abroad will lift the total to over 5m sq ft. Unfortunately, as in the second half of last year, utilities lost around £200,000 pre-tax and the position is unlikely to improve very much in the remainder of this current period. While prices leg behind spiralling energy inflation, the £9m power station order must be regarded as a heavy opportunity cost.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: BBA, Blue Circle Industries, Loc Refrigeration, Mixconcrete, Refuge Assurance, Scottish Agricultural Industries, Scottish Northern Investment Trust, Sharpe and Fisher, Stewart Wrightson.

Finals: Brown Brothers Corporation, Erskine House Investment, Somportex.

FUTURE DATES

Interims:—	
Costain	Sept. 6
Farmer (S. W.)	Sept. 11
General Mining & Finance	Sept. 6
Hepworth Ceramic	Sept. 6
James (Maurice)	Sept. 3
Menzies (John)	Sept. 25
Royal Worcester	Sept 4
Williams & James (Engineers)	Sept. 20
Winston Estates	Sept. 13
Finals:—	
Austin (F.) (Leyton)	Sept. 7
Clark (Matthew)	Sept. 12
Gripperrods	Sept. 3

Thurgar lower at £174,316

PROFITS before tax of Thurgar Bardex, plastic product manufacturer, fell from £221,794 to £174,316 in the 24 weeks to June 16, 1979, on sales of £2.7m, against £2.59m.

Pre-tax surplus was struck after increased depreciation of £111,585 (£79,545), and interest of £60,591 (£41,453).

The directors say the present order book is good, but completion of the Kettering factory extension has been delayed- which has hit profitability. A capital reorganisation is being considered, they add.

The net interim dividend is effectively raised from 0.225p to 0.3p—last year a total equivalent to 0.572625p was paid from taxable profits of £449,000 (£308,000).

Tax for the period took £64,000 (£113,000), leaving net profit at £110,316, against £108,794.

Confidence at Sommerville

The chairman of William Sommerville and Son says in his annual statement that having at the moment a full order book, the Board is facing the immediate future with confidence.

What the longer-term holds it is impossible to guess, he states.

Phoenix Timber ahead so far

In their annual report the directors of Phoenix Timber say that sales for the first four months of this year show an increase of 25 per cent compared with the corresponding period the previous year, and management accounts indicate a significant profits improvement. However, they say it would be foolhardy to draw any conclusions at this stage as to the full year results.

£10,000 midway deficit at Grovebell

Despite a jump in turnover from £2.25m to £4.35m, Grovebell Group incurred a pre-tax loss of £10,190 for the half year ended May 31, 1979, against a £3,162 profit last time.

The directors state that the development and expansion of activities continue, albeit slower than was originally expected, and an improved result is envisaged for the second half.

For the whole of 1977/78 the group incurred a £75,535 loss (£108,707 profit).

There was a tax credit of £5,299 compared with a £1,644 charge and after an extraordinary credit of £14,562 (nil) for the period, there was an attributable profit of £9,671 against a previous £1,518.

The net interim dividend is unchanged at 0.5p net per 5p share—last year's final payment was 0.5p.

Bristol Post £2m property revaluation

A revaluation of the group's properties has resulted in a £2.11m credit to capital reserve, says Mr. Andrew Breach, chairman of Bristol Evening Post in his annual statement.

Of that figure £1.8m relates to the parent company, but it does not include any appreciation in development value of the Silver Street premises.

Negotiation with the City valuer are well advanced for the surrender of the group's site in exchange for a 125-year lease for the whole island site. This will allow redevelopment of the company's old printing works and head office, and adjacent properties, says Mr. Breach.

He adds that it has not been possible to bring James Dixon and Son, an associate, to a profitable position and a full provision has been made in the accounts for amount of the investment.

Barker and Dobson making sweeter noises

BY JOHN MAKINSON

THE NEWSAGENTS and confectionery group, Barker and Dobson, was "totally bust" in December, 1975, according to its present chairman, Mr. Ronald Aitken. By March, 1976, net current liabilities totalled almost £1m, losses for the previous year were £3.4m and the shares were almost worthless. When shareholders arrive for today's AGM, Mr. Aitken will at least have profits to declare, even if not a dividend.

In the background to the financial problems lay a succession of boardroom rifts. The group's controversial former chairman, Mr. Walter McPhail, resigned in January 1970 but a few months later unseated the entire Board and replaced it with himself and two colleagues. The re-emergence of Mr. McPhail failed to stem the rows and resignations which culminated in his final departure in May, 1975.

The group's creditors decided to try and keep the company going and Mr. Aitken, an accountant with experience of receiverships, was invited to take over. When he arrived, he says, there was effectively no management at the company.

Since then the group has enjoyed a modest renaissance. Assets have been sold off—notably the Oakeshotts grocery chain and Roger Grayson wine merchants. These disposals have now been largely completed with around £1m due to the company in the next few days. This will have the effect of shrinking the balance-sheet still further, as both the overdraft and debtor figure will be reduced. Over the last four years, working capital has already fallen by 37 per cent.

The other priority has been to improve the quality of management in its two remaining activities, the Lewis Meeson chain of newsagents and tobacconists, and the manufacturing of confectionery. When Mr. Aitken arrived, he set himself a timetable of three years for putting the company on its feet. He accepts that this schedule has now gone by the board and says that he underestimated the management difficulties. A new team has been appointed, headed by the chief executive Mr. William Kenyon.

The effect of these changes has been to improve both the balance-sheet position and trading performance of the group. The shares now stand at 13½p, compared with 2½p at their nadir, and the new management has been able to instil sufficient confidence for Globe Investment Trust to take a 5.1 per cent stake. Nonetheless, today's proceedings will illustrate the amount of ground which the company still has to make up.

Shareholders will be asked to approve a share reduction scheme designed to wipe out a £528,000 deficit on reserves and meet the requirements of an EEC rule that shareholders' funds must be at least as great as the issued equity before dividends can be paid.

The trading position is also a little fragile. The retail division, comprising about 120 shops, is operating on a 1.4 per cent trading margin and is made up predominantly of small outlets. Barker and Dobson has neither the cash nor the management expertise to follow its larger competitors into the high street store with scope for high margin goods (like gifts or stationery) and high turnover.

Margins, unsurprisingly, are higher on the confectionery side but here again there are handicaps to be overcome. In its 1978 report and accounts B & D conceded that there was a resistance to its products within the trade "largely explained by the lack of conviction and continuity in the past policies of the company." In addition, products such as the Victory-V and Hacks have an antiquated image and parochial strength (in the North) which have only partially been offset by a recent promotion campaign. More generally, the confectionery market in the UK is static and saturated, with sugar-based products such as those made by B & D losing market share to chocolate goods.

Mr. Aitken has two answers to these difficulties. Firstly, he is developing up-market chocolate confectionery goods, which offer higher margins and are less price-sensitive than the commodity item. The group has recently completed the acquisition of Charbonnel et Walker, a specialist chocolate manufacturer. Quality producers such as this incur limited launch and advertising costs as well as offering substantial export potential.

Mr. Aitken is considering further purchases in the confectionery field. Given the high financial gearing of the group, he may well be tempted to use B & D's shares in any such foray. The market capitalisation of £12.6m is over three times the net tangible asset value. He believes that there is a structural over-capacity in the confectionery industry and mopping up small companies would presumably be a way of remedying the problem. For a company to be adopting an offensive stance less than four years after pulling back from the brink of bankruptcy suggests that much has changed at Barker and Dobson.

Benlox chief confident of profit trend —announces £200,000 cash call

Mr. R. D. Harnett, chairman of Benlox Holdings, builder and contractor, told members at the annual meeting that a small trading profit had been achieved in the first five months of the current year. And he was confident this trend would continue.

The chairman also announced proposals for a £200,000 rights issue on the basis of four-for-five, at 20p per share.

For the 1978-79 year pre-tax profit was £12,116 (£144,341 loss).

Mr. Harnett explained that as Mr. Waleed Kudsi was becoming more heavily involved with business commitments around the world, he had retired as a director, from the Board, and would not be offering himself for re-election.

Energy Finance and General Trust had acquired a block of shares in the company, Mr. Harnett stated, some of these being from Mr. Kudsi; he believed that the company's experience and knowledge "will be of great assistance to us in our quest for growth and expansion."

On the rights issue the chairman explained that, notwithstanding the material progress that had been made since February 1978 in the financial structure of the group, the directors considered it essential that additional cash resources were made available to finance the group's future progress.

A circular giving further details would be sent to shareholders in the near future, he added.

● NEWS ANALYSIS—COMMERCIAL UNION IN AUSTRALIA

The target is a stronger presence not withdrawal

BY RICHARD LAMBERT

"This is not an attempt to withdraw from Australia," says Mr. Jack Emms, chief general manager of Commercial Union. At first sight, however, that appears to be the story.

If successful, the discussions announced yesterday between Commercial Union and National Mutual Life Association of Australasia will reduce Commercial Union's holding in its Australian business from 84 to 42 per cent. That would make it an associate of the UK company, rather than a subsidiary.

But that, Mr. Emms states firmly, is incidental to the main purpose of the proposals. "Our objective has been to take a longer term look at Australia, and to find a more attractive course than simply sitting out the present problems or, at the other extreme, selling out altogether."

Australia has brought underwriting losses to Commercial Union in six out of the last ten years, and the performance of the other big UK insurers has generally been just as rough.

In 1974 and 1975, the combination of some very poor liability experience and retrospective legislation affecting workmen's compensation business brought Commercial Union a total underwriting loss of more than £25m.

Since then, the group has cut the number of its employees in the country by about a third, and reduced its exposure to the troublesome workmen's compensation lines of business. But following a brief recovery in 1977, the underwriting market is deteriorating again. In the first half of this year, Commercial Union lost £1.8m.

Investment income more than offsets this underwriting loss, so that at the bottom line Commercial Union's Australian company should make a small profit this year. After tax and extraordinary items, it produced around £3½m last time.

However, Mr. Emms suggests that the business as it now stands is not capable of making enough profits in good years to offset the damage done in bad times and to provide enough retentions to keep the whole enterprise healthy.

The trouble is that the underwriting market is, in Mr. Emms' words, "highly undisciplined." A large number of companies from all over the world are competing for business. A widely-scattered population makes for relatively high expense ratios, and Australia is capable of producing its share of natural disasters, like the Darwin cyclone of 1974.

As part of the proposed transaction, Commercial Union will acquire National Mutual's fire and general business in Australia. This will increase its premium income from just over A$80m (£50m) to nearly A$100m. The effect will be to give the company a wider base and an improved representation across the country. There are no plans for any reductions in the combined workforce.

National Mutual, one of the continent's biggest life companies, will acquire the UK company's life business in Australia. The details may not be finalised for several months, but Mr. Emms hopes it will be possible for the two companies to provide mutual assistance and services in their separate classes of insurance.

The idea is that by pooling their resources, Commercial Union and National Mutual will be able to build a stronger presence in this highly competitive market place.

A side effect of the transaction is that it will boost Commercial Union's solvency margin (net assets as percentage of premiums) by about three points. The difference between 59 per cent and 62 per cent, according to Mr. Emms is neither here nor there.

A few years ago, such a change might have been really important. But with its flood of equity issues and much-improved level of retentions in recent years, Commercial Union can afford to regard with indifference such a marginal improvement in the appearance of its balance sheet.

BIDS AND DEALS

Lindustries hits back at Hanson

Lindustries, the textile and engineering group which is once again the target of a takeover attempt by Hanson Trust, yesterday mounted a five-pronged defence against the £25m offer.

In a detailed rebuttal to the 135p per share bid, Lindustries forecasts that although first-half results will be down profits for the year to March 1980 will not be "significantly less" than those in the 12 months to March 1979. On this basis the company promises to maintain the net dividend in the current year.

The document refers to the problems at Cowlishaw Walker, one of the group's subsidiaries. Lindustries chairman Mr. P. A. Rippon tells shareholders that action is expected to be taken "within a matter of weeks" which will limit trading losses there to £1m this year.

Lindustries' other arguments are mostly based on the price Hanson is offering which is considered "totally inadequate."

Referring to the 10.5 per cent yield which the dividends for 1978-79 return on the basis of a price of 135p Lindustries maintains it is unfair to compare this return with those available in the gilts market. It points out that if shareholders were to reinvest the proceeds from the Hanson offer at the average yield on shares of UK industrial companies they would effectively be halving their income.

The rejection document also draws attention to the exit price earnings of 5.1 on the basis of the 135p offer which compares with a price earnings ratio of 7.54 for the average UK industrial company.

Lindustries also takes exception to the Hanson claim that the offer price represents a 24 per cent increase in capital value. Preferring to use the weighted average middle market quotation of ordinary Lindustries shares from May 1 to July 31, Lindustries argues that the Hanson offer represents no capital increase whatsoever. Furthermore a new property valuation means Hanson's offer price represents a discount of 40 per cent on the adjusted net tangible assets per share.

The company, which imports watches and clocks, and makes precision instrumentation and components, is proposing to change its name to Standard Industrial Group.

Mr. Rippon also claims that Lindustries has "an exceptionally strong balance sheet" and is confident of further profitable expansion.

Finally the document questions the industrial logic of the offer. "The only area where the interests of Hanson and Lindustries overlap is the thread industry and this is not an important part of Hanson's operations. The remaining interests of Lindustries do not 'fit naturally,' as Hanson claims, within its existing businesses; they would only add to their current diversity."

NO PROBE INTO TESCO/CARTIERS MERGER

The proposed merger between Tesco Stores (Holdings) and Cartiers Superfoods is not to be referred to the Monopolies Commission.

BUSINESS PRESS ACQUISITION

IPC Business Press has acquired the monthly journal Practical Computing from ECC Publications. The first issue under the new ownership will be dated ovember 1979. Practical Computing, launched in 1978, sells about 30,000 copies.

SHARE STAKES

Allied Colloids Group—J. Dawes has sold 20,000 shares at 122p.

R. and J. Pullman—R. R. Specterman, director, has acquired 25,000 ordinary at 114p making total holding 102,567 shares.

Stoddard Holdings—Sir Robert A. Maclean has a non-beneficial interest in 25,000 ordinary and 1,305,000 "A" ordinary.

Downs Surgical—R. S. Phelps, director, has disposed of 35,000 shares and now holds 48,164.

Alexander Howden Group—C. L. R. is interested as trustee, in 2,375 ordinary.

Yule Catto—Kuala Lumpur Kepong Bhd. has acquired a further 95,000 ordinary shares, bringing holding to 4,422,416 (26.64 per cent).

Charles Clifford Industries—Jove Investment Trust has purchased a further 10,000 ordinary shares increasing its holding to 90,000 (6.75 per cent).

Bentima at £0.5m for 18 months

FOR THE 18 months ended June 30, 1979, Bentima Industries achieved pre-tax profits of £479,562 on turnover of £10.85m. Figures for the previous 12 months were £266,338 and £5.81m respectively.

After tax with SSAP 15 applied of £103,099 (£17,870) earnings are shown as 9.22p (8.53p) per 25p share. The attributable balance came through at £360,371 (£248,868). The 1.914p interim dividend, already paid, is the total for the period—last year's payment was 1.714p.

The directors say they are considering the payment of future dividends partly as an interim, in or about June, and as a final, six months later.

MINING NEWS

Diamond prices to rise by 13 per cent

BY KENNETH MARSTON, MINING EDITOR

HIGHER PRICES are to be charged for the larger sizes—about one carat and above—of rough diamonds marketed by De Beers' Central Selling Organisation.

The price increases will vary according to quality and size but they will have the effect of an overall increase of 13 per cent which will come into force at the next "sight" (selling occasion) on September 24. Prices of industrial diamonds will be unaffected.

The latest gem price increase, which follows one of an average 30 per cent on August 2 last year, is understood to be in line with prevailing levels in the diamond cutting centres. It also contains an element of compensation for the fall in the value of the U.S. dollar.

After the abnormal conditions of last year when inflationary pressures and hedging against currency uncertainties brought an unprecedented demand for diamonds in all forms, the market has returned to more normal conditions.

CSO sales, which account for around 85 per cent of world output of uncut diamonds, amounted to R1.09bn (£583m) in the first half of this year, a fall of 6 per cent on second half 1978.

● comment

Demand for the larger gems has kept up well, but the market for the "smalls" has been weak. The latest price increase takes this situation into account although it is believed that the market as a whole has been looking better in front of the important September 24 sight which gives a guide to prospects for the Christmas trade.

Another factor in the latest decision to raise prices could be the fear of a deeper currency crisis; this may also be reflected in the current strength of gold.

After last year's experience when it was necessary to impose heavy surcharges on diamond sales in order to combat hoarding, the CSO may have felt it right to take some early avoiding action.

As far as De Beers 1979 earnings prospects are concerned, the latest price increase only takes in three out of ten sights. It will, however, make up for the exchange loss arising from the 4 per cent appreciation of the South African rand against the U.S. dollar in which diamonds are priced.

The impact of the price may thus not be all that but taken with an improving ket for diamonds it should second half earnings above rather disappointing level of first six months.

If so, there could still be ro for a rise in the final divide of 5 cents or so, making a to of around 70 cents against cents for 1978.

As to prices for polish diamonds in the high stre jewellers, the latest CSO increa should, in theory, leave the unaffected because the va majority of polished stones so are of 30 points or less (ther are 100 points to the carat) ar are derived from rough stone of a little under one carat which the latest increase do not apply.

"Jewellers, however, tend t operate on their own initiativ —especially in the diamond trad —and there may be a temptatio to make small price increase with an eye to higher cost r placement stocks in the futur However, they also face the ris of sales resistance which coul lead to less generous profit ma in the retail jeweller market generally."

Earnings slide at Oakbridge

OAKBRIDGE, the Australian coal, tin and manufacturing group, is maintaining its final dividend at 6 cents (3p) despite a reversal in its fortunes in the year to last June when net operating profit slumped 49 per cent to A$3.98m (£1.99m) from A$7.83m in 1977-78.

But total net profit for the year, still rose to A$18.35m (£9.19m) from A$7.34m, the company announced yesterday. This reflects the sale of a 49 per cent interest in Clarence Colliery to British Petroleum for A$30m and a 15 per cent interest in the Hermitage Colliery to Sumitomo of Japan for A$4.8m.

Holding the final dividend at 6 cents to make a total for the year of 12 cents, the same as in 1977-78, helped to raise the London price yesterday by 5p to 95p. The company's operating problems have been known for some time.

What has dragged Oakbridge's figures down has been the difficulties of the coal division, which only in the last two months has returned to profitability. This suggests the worst may be over although the company warned that coal's contribution to profits would reflect low selling prices.

"Commencement of production from the new Clarence mine in July next year and the likelihood of higher coal prices should enable strong profit growth to be restored in 1980-81," Oakbridge said.

Production difficulties at the group's coal mines, output lost through industrial disputes and shipments curtailed by port strikes in March and April were among the causes of the second-half loss at the coal division. But the group also had to accept lower prices on its Japanese contracts from the beginning of April.

Coal sales in the year to June fell to 969,000 tonnes worth A$23.35m, from 1.3m tonnes worth A$33.1m in 1977-78. By contrast, tin sales reached a record A$4.48m, after A$4.24m the previous year, despite a slip in the volume sold to 602 tonnes from 641 tonnes.

ANGLO AMERICAN MOVES INTO MANGANESE

Anglo American Corporation of South Africa yesterday joined the exclusive ranks of the world's major manganese producers when Mr. Harry Oppenheimer, the chairman, formally opened the R47m (£25m) Middelplaats Manganese mine in the Sishen area of Cape Province.

About 90 per cent of all manganese ore mined has been in the hands of five companies. But Middelplaats can draw on ore reserves of more than 33m tonnes grading 38 per cent manganese and 4 per cent iron.

But the immediate prospect for the mine are not promising in view of the depressed manganese market. It would not be surprising if Anglo had to make losses for some time even if an early cash flow is generated.

"We cannot regard Middelplaats as a success until we have sold our production and earned a reasonable return on the R47m which Anglo America has invested in the mine," said Mr. Alan McKenzie, the chairman.

"This we cannot do on the basis of current prices for manganese ore which on a free on-board basis have fallen by 10 per cent between 1978 and 1979," he added.

U.K. ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1975=100); engineering orders (1975=100); retail sales volume, retail sales value (1971=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vac
1978							
2nd qtr.	110.7	104.5	95	107.9	254.4	1,387	21
3rd qtr.	111.6	105.1	104	110.7	266.5	1,380	21
4th qtr.	110.6	102.7	111	112.7	273.0	1,340	23
1979							
1st qtr.	109.7	102.0	99	110.3	276.4	1,351	23
2nd qtr.	114.5	106.0		116.7	297.3	1,299	25
March	113.0	107.5	103	110.3	279.8	1,350	23
April	114.3	105.9	99	115.6	294.5	1,311	25
May	114.3	105.3	108	113.5	293.3	1,307	25
June	116.0	107.2		120.3	309.3	1,280	26
July						1,279	25
August						1,265	24

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1975=100); housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts
1978							
2nd qtr.	108.1	97.3	122.2	98.6	107.4	101.1	27.
3rd qtr.	108.4	99.5	125.3	100.6	101.3	104.1	23.
4th qtr.	105.6	96.5	132.6	96.8	97.6	102.1	20.
1979							
1st qtr.	105.1	99.0	125.8	99.1	97.6	98.5	12.
2nd qtr.	108.1	99.9	133.0	100.5	110.3	101.5	21.
Jan.	100.0	92.0	117.0	92.0	77.0	94.0	10.
Feb.	106.0	101.0	130.0	101.0	103.0	99.0	12.
March	109.0	103.0	130.0	104.0	114.0	102.0	15.
April	107.0	100.0	130.0	100.0	108.0	100.0	18.
May	108.0	100.0	133.0	100.0	109.0	101.0	20.
June	110.0	99.0	136.0	101.0	114.0	104.0	15.

†EXTERNAL TRADE—Indices of export and import volume (1975=100); visible balance; current balance (£bn); oil balance (£m); terms of trade (1975=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Res USSbn
1978							
2nd qtr.	122.2	109.7	−0.2	+0.2	−414	104.9	16.7
3rd qtr.	124.8	114.9	−0.4	+0.2	−591	106.1	16.5
4th qtr.	124.8	112.3	0.0	+0.4	−480	106.9	15.7
1979							
1st qtr.	110	118	−1.6	−1.2	−237	107.7	16.7
2nd qtr.	134	135	−1.1	−0.7	−210	108.0	21.6
Feb.	101	117	−0.8	−0.6	− 78	108.1	16.6
March	117	129	−0.7	−0.6	− 97	107.4	17.4
April	139	136	−0.3	−0.2	−114	108.9	21.4
May	134	137	−0.4	−0.3	− 54	108.0	21.5
June	130	133	−0.3	−0.2	− 42	107.1	22.0
July	134	127	0.0	+0.1	− 41	109.3	23.4

FINANCIAL—Money supply M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); domestic credit expansion (£m); building societies' net inflow; HP, new credit; all seasonally adjusted. Minimum lending rate (end period).

	M1 %	M3 %	Bank advances %	DCE £m	BS inflow	HP lending	ML
2nd qtr.	10.1	15.0	24.5	+2,800	694	1,506	10
3rd qtr.	17.1	8.1	8.6	+ 572	746	1,559	10
4th qtr.	14.9	12.0	8.6	+1,774	878	1,584	12
1979							
1st qtr.	7.6	9.4	32.6	+1,523	777	1,583	13
2nd qtr.	9.7	17.2	28.5	+2,702	777	1,869	14
Feb.	17.6	20.0	24.1	+1,057	231	532	14
March	7.6	9.4	32.6	− 329	257	526	13
April	16.8	6.4	19.3	+ 823	343	566	12
May	13.8	8.1	20.7	+ 997	309	622	12
June	9.7	17.2	28.5	+ 882	125	681	14
July	7.1	14.3	34.1	+ 399	229		14

INFLATION—Indices of earnings (Jan. 1976=100); basic materials and fuels, wholesale prices of manufactured products (1975=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (Dec. 1971=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strl
1978							
2nd qtr.	129.9	146.3	151.8	195.8	203.8	242.27	61.
3rd qtr.	133.2	144.9	154.8	199.2	206.2	253.74	62.
4th qtr.	136.4	147.1	157.3	202.6	208.0	257.69	62.
1979							
1st qtr.	140.2	152.2	161.6	208.9	218.8	268.83	64.
2nd qtr.		160.5	167.9	216.5	225.2	293.55	67.
Feb.	141.1	152.2	161.7	208.9	218.7	267.36	63.
March	143.7	153.5	163.2	210.6	220.2	268.83	65.
April	144.3	158.4	165.5	214.2	221.5	277.11	66.
May	146.9	161.0	167.7	215.9	224.0	279.20	67.
June	150.7	164.5	170.8	219.5	230.0	293.55	69.
July		164.7	174.5	229.1	231.2	278.92	72.

* Not seasonally adjusted. † Trade figures are quoted with less precision owing to industrial disputes.

هكذا من الأصل

J. Saville Gordon almost doubled at record £1.45m

ALMOST DOUBLED taxable profits, from £752,661 to a record £1.45m, are reported by J. Saville Gordon Group for the year ended April 30, 1979, on turnover up by £3.44m to £21.14m.

And the directors state that on the basis of internal figures for the early months of the current year, they are confident the group is in a strong position and faces a period of continuing growth.

At the interim stage profits had advanced from £202,035 to £636,401 and the directors forecast that the second half contribution would be at least as good as that of the first half.

Before the year's SSAP 15 tax charge of £239,268, against £323,374 earnings are shown as 14.3p (7.5p) per 10p share, and 12p (4.2p) after the charge. On a fully taxed basis they are given as 6.1p (3.3p).

Tax relief associated with the substantially increased stock levels, is the principal reason for the low tax charge, directors explain.

The dividend for the period is stepped up to 2.44p (1.6255p) net per share with a final payment of 1.94p.

In recommending the final consideration was given to cash requirements for capital expenditure, and the likely continuing increases in stock levels.

The directors consider it appropriate to continue to retain a substantial proportion of earnings for these purposes, and to maintain a healthy cash position to finance internal expansion. In addition they want to be able to take advantage of any suitable opportunities to develop by acquisition.

For 1978-79 turnover and profits were split as to: engineers merchants and stockholding £8.45m and £744,961, and metal trading and scrap processing £12.7m and £704,930.

● comment

J. Saville Gordon has achieved its profits forecast in comfortable style despite the national lorry driver's strike in January. The explanation is that, with its own transport fleet and much of the business going by rail (via its own sidings), only incoming deliveries were affected and the company's high stock levels provided a buffer against declining inventories. This policy of maintaining a high stock level, which enables a quick delivery service, is the key to the company's ability to maintain a growth trend when other engineering merchants and metal processors are feeling the pinch. At the year-end, borrowings were only a seventh higher at £1.8m—a figure which has since been reduced quite substantially. Gearing is thus minimal and there is plenty of scope for expansion, both internally and by acquisition. In the metal trading and scrap processing division, the company is lessening its involvement in copper in favour of steel because of its less volatile price movements. At 45p, up 3p, the shares are on a p/e of 3.6 or 7 fully taxed while the yield is a well covered eight per cent—a rating which appears to discount the prospect of immediate growth.

Edward Le Bas slips to £0·21m

AFTER advancing 58 per cent at the year-end the taxable profits of Edward Le Bas slipped from £253,000 to £206,000 in the half-year to June 30, 1979. Sales were ahead from £8.18m to £8.36m.

The directors say that despite the difficulties in the early part of the year, which affected the industry as a whole, all divisions, with one exception, had a satisfactory first half.

The outlook for the remainder of the year appears reasonably assured, adds the Board. But the strong Pound is effecting margins on overseas business.

Severe competition, aggravated in some markets by political problems, is affecting the foundation and construction equipment division. These problems are being overcome but it is too early to forecast the division's performance.

The interim dividend is 0.963p (1.014p). Last year the payment totalled 1.844p per 25p share after taxable profits had been lifted from £399,904 to £623,848. The directors say the latest interim is equal to half the 1978 dividend inclusive of tax credit.

The midway pre-tax surplus was struck after interest charges well up from £144,000 to £269,000.

Tax takes £102,000 (£165,000) and minorities are the same at £25,000. Stated earnings per share are up from 2.31p to 2.94p and fully-diluted from 1.9p to 2.38p.

The available surplus is ahead from £57,750 to £73,750 and the retained profit is £49,588, against £32,349.

The company is a subsidiary of I. S. and G. Steel Stockholders which is a subsidiary of Le Bas Investment Trust.

UDISCO BROKERS CHANGES NAME

Udisco Brokers, the recently-acquired money broking subsidiary of the Frizzell Group, is changing its name from August 31 to Fraser May International.

The company is well-established in UK interbank, local authority and commercial business areas.

Johnson Matthey advance eroded by exchange loss

TAXABLE profits of Johnson Matthey Group, gold, silver and platinum refiner, increased from £4.52m to £5.66m for the three months to June 30, 1979. Turnover, excluding Johnson Matthey Bankers, was well ahead at £163.77m, against £113.72m.

An exchange loss of £1.05m, compared with a gain of £38,000, eroded the advance at pre-tax level, leaving the attributable balance virtually unchanged at £2.22m, against £2.21m.

	Three months 1979 £000	1978 £000
Turnover*	163,770	112,724
Deb. and other int.	1,256	1,045
Depreciation	1,182	1,027
Profit before tax	5,656	4,522
Tax	2,280	2,316
Exceptional credit	16,959	—
Exchange loss	1,045	‡38
Minorities	14	31
Attributable	2,217	2,211

* Excluding Johnson Matthey Bankers. † Transferred to reserve. ‡ Gain.

Tax took £1.38m (£2.32m). There is an exceptional credit of £16m this time, which has been transferred to reserve. The directors explain that, as a result of the Finance Act 1979, deferred tax has been reduced by £25.19m. This has been used to cut tax attributable to base stocks by £9.2m and to increase reserves by £16m.

Precious metals are valued at base prices plus attributable tax, the directors say. If market prices had been used, the amount on the balance sheet would have been £52.85m (£30.02m) higher.

● comment

As in the second half of last year, the profits growth in Johnson Matthey's first quarter is being sustained by the excitement in the markets for precious metals and bullion. The group's industrial activities have contributed relatively little. Reduced demand for catalysts by oil refineries is being felt by JM's refining and chemical operations, while the current problems of the British pottery industry have affected demand for colours and transfers. The 25 per cent increase in pre-tax profit is tempered by the fact that last year's first quarter was rather depressed. And an exchange rate loss wipes out the gain at the attributable level. It is going to need sustained activity in the bullion and precious metals market to prevent this being a flat year for Johnson Matthey. But the shares, at 203p, are sustained by the comforting thought that JM does not take stock gains into profits. If stocks were valued at current prices JM's net worth would be £3.38 per share.

T. Robinson well down

HALVED profits are reported by Thomas Robinson and Son, engineer and machine maker. The taxable surplus fell from £391,000 to £176,000 in the first half of 1979, on turnover of £3.65m, against £3.5m.

The net interim dividend is held at 0.8232p—last year a total of 3.77637p was paid from profits of £1.1m (£1m).

Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa)

Circular to shareholders and notice convening a general meeting of ordinary shareholders relating to a proposed private placing to raise R40 000 000

Directors

Sir Albert Robinson (British) (Chairman), C. Carrington (British), H. Dalton-Brown (British), G. C. Fletcher, M.C. (Alt. J. N. Clarke (British)), D. E. Maclver, P. F. Retief (Alt. K. W. Maxwell (British)), B. A. Smith, D. H. Stevenson (Alt. V. G. Bray), P. A. von Wielligh, G. H. Waddell (Alt. J. A. Holmes (British)), F. J. L. Wells (Alt. C. E. Bayvel), P. R. Wilton (Alt. B. J. Jackson (British)).

An announcement was published in the press on 17 August 1979, advising members of a proposed private placing by Johnnies with certain South African financial institutions of R40 000 000 in the form of variable rate redeemable cumulative preference shares. Subject to the passing and registration of the necessary special resolutions, the issue is expected to be effected as to 20 000 000 new preference shares on 28 September 1979 and the remaining 20 000 000 new preference shares some six months later. The funds, which are being raised at a time of relatively low interest rates, will increase Johnnies' financial flexibility and ability to take advantage of new business opportunities.

The new preference shares will have an average life of approximately ten years. It is not intended to seek stock exchange listings for the said shares which as regards rights to dividends and return of capital on a winding-up shall be subordinate only to the 40 000 000 fixed and variable rate redeemable cumulative preference shares already in issue.

At present the authorised and issued share capital of Johnnies is as follows:

	R000
Authorised	
7 150 000 ordinary shares of R2 each	14 300
11 000 000 8,25% cumulative redeemable preference shares of R1 each	11 000
40 000 000 fixed and variable rate redeemable cumulative preference shares of 10 cents each	4 000
	29 300
Issued	
7 105 600 ordinary shares of R2 each	14 211
34 500 000 fixed rate redeemable cumulative preference shares of 10 cents each	3 450
5 500 000 variable rate redeemable cumulative preference shares of 10 cents each	550
	18 211

In order to facilitate the issue of the new preference shares, your directors propose to sub-divide and convert 4 000 000 of the existing 11 000 000 authorised but unissued 8,25% preference shares into 40 000 000 'A' variable rate redeemable cumulative preference shares of 10 cents each. These shares will be privately placed at an issue price of R1 per share i.e. at a premium of 90 cents per share. The variable dividend will vary at 60% of the increase or decrease in the best overdraft rate charged by Nedbank Limited, subject to a minimum dividend of 6% per annum and a maximum dividend of 10% per annum for any half-yearly period on the issue price of the new preference shares. The first such dividend, from the subscription date until 31 March 1980, will be calculated at the rate of 7,2% per annum on the issue price of the said shares.

In order to give effect to the proposed private placing the ordinary shareholders of Johnnies will be asked to consider and, if deemed fit, to pass the resolutions set out in the notice of general meeting which forms part of this circular.

Since 30 June 1979, to which date the last published audited financial statements of Johnnies were made up, no capital of Johnnies has been issued for cash or otherwise, nor have any commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of Johnnies been granted. No capital of Johnnies is under option or agreed conditionally to be put under option and, except as indicated herein, no issue of shares is contemplated at the present time

Copies of the memorandum and articles of association and the annual reports and accounts of Johnnies for the last two financial years in respect of which accounts have been published will be available for inspection during normal business hours at the registered office of Johnnies in Johannesburg and at the office of the London secretaries, Barnato Brothers Limited, until the conclusion of the general meeting convened for 21 September 1979.

Notice convening a general meeting of ordinary shareholders

Notice is hereby given that a general meeting of ordinary shareholders of Johannesburg Consolidated Investment Company, Limited ("the Company") will be held in the board room, Consolidated Building, corner Fox and Harrison Streets, Johannesburg, at 12h00 on Friday, 21 September 1979, for the purpose of considering and, if deemed fit, passing the following resolutions, with or without modification, of which resolutions A and B will be proposed as special resolutions and resolution C will be proposed as an ordinary resolution:

A. As a special resolution

That the authorised share capital of the Company comprising 7 150 000 ordinary shares of R2 each, 40 000 000 fixed and variable rate redeemable cumulative preference shares of 10 cents each and 11 000 000 8,25% cumulative redeemable preference shares of R1 each ("the 8,25% preference shares") be and it is hereby amended by sub-dividing and converting 4 000 000 of the 8,25% preference shares, none of which is in issue, into 40 000 000 'A' variable rate redeemable cumulative preference shares of 10 cents each in the share capital of the Company, ranking and being subject to the terms as set out in Article 161 of the articles of association of the Company.

B. As a special resolution

That, subject to the passing and registration of special resolution A above, the articles of association of the Company be and they are hereby amended by the addition at the end thereof of the following new article:

161. *'A' variable rate redeemable cumulative preference shares*

The following terms shall apply to the 'A' variable rate redeemable cumulative preference shares of 10 cents each ("the 'A' variable rate preference shares") in the share capital of the Company:

1. For the purpose of this article, the following words and expressions shall bear the meanings assigned to them, unless the context otherwise indicates:

commercial bank best overdraft rate ("the overdraft rate")	the best interest rate charged in Johannesburg by Nedbank Limited, or its successors in title, on unsecured overdrafts to first class corporate borrowers from time to time as certified by any of the general managers of the said bank; or if the present overdraft system should be discontinued or, in the opinion of the auditors of the Company, be materially altered by the said bank, the best interest rate charged in Johannesburg by the said bank on unsecured short-term loans to first class corporate borrowers. In the event of doubt as to the overdraft rate, a certificate from the auditors, from time to time, of the said bank shall be conclusive;
interest rate	the simple interest rate per annum;
overdrafts	loan facilities of a short-term or seasonal nature repayable on demand;
determination date	the first business day of any dividend period;
subscription date	a date or dates fixed by the directors on which subscribers for the 'A' variable rate preference shares are obliged to pay the subscription price for the 'A' variable rate preference shares subscribed for by them or date of subscription if it takes place later than any such date.

2. The following terms shall apply to dividends on the 'A' variable rate preference shares:

2.1 The 'A' variable rate preference shares shall confer the right to receive out of the profits of the Company, which it shall determine to distribute from time to time in terms of these presents, a cumulative preferential cash dividend ("the preference dividend").

The preference dividend shall

2.1.1 rank in priority to any payment of dividends to the holders of ordinary shares and the holders of other shares in the capital of the Company not ranking prior to or pari passu with the 'A' variable rate preference shares;

2.1.2 rank after any payment of dividends to the holders of the fixed rate redeemable cumulative preference shares of 10 cents each and the variable rate redeemable cumulative preference shares of 10 cents each referred to in Articles 159 and 160 respectively.

2.2 Subject to 2.3 the preference dividend shall be due and, if declared, payable half-yearly in arrear, on 31 March and 30 September in each year in respect of the half-yearly periods ending on those dates, and be determined in the manner set out in 2.3 to 2.5.

2.3 The first preference dividend shall be calculated from the subscription date until 31 March 1980 (both days inclusive) on a daily basis, on the issue price of the 'A' variable rate preference shares, and shall be at the rate of 7,2% per annum.

2.4 The preference dividend rate for each half-yearly period thereafter shall be determined at each relevant determination date, and shall, in each case, be 7,2% per annum plus 60% of the excess of the overdraft rate ruling at the commencement of business on the relevant determination date over the basic overdraft rate of 9,5% per annum ("the basic overdraft rate"), or minus 60% of the excess of the basic overdraft rate over the overdraft rate ruling at the commencement of business on the relevant determination date, as the case may be.

2.5 Notwithstanding the above provisions, the preference dividend rate shall be subject to a minimum of 6% per annum and a maximum of 10% per annum during any half-yearly period, calculated on the issue price of the 'A' variable rate preference shares.

2.6 In the event of any change in the preference dividend rate the Company shall notify every registered 'A' variable rate preference shareholder of such change by means of a circular posted within 15 business days after the appropriate determination date.

3. The following terms shall apply to the 'A' variable rate preference shares on a winding-up of the Company:

3.1 The 'A' variable rate preference shares shall confer the right, on a winding-up of the Company, to the repayment of an amount equal to the sum of the par value of the 'A' variable rate preference shares, together with a premium payable out of the share premium account of the Company of 90 cents per 'A' variable rate preference share and any arrears in the preference dividend (whether declared or not) calculated to the date of repayment.

3.2 Such repayment shall:

3.2.1 rank in priority to any payment to the holders of ordinary shares and the holders of other shares in the capital of the Company not ranking prior to or pari passu with the 'A' variable rate preference shares;

3.2.2 rank after any payment to the holders of the fixed rate redeemable cumulative preference shares of 10 cents each and the variable rate redeemable cumulative preference shares of 10 cents each referred to in Articles 159 and 160 respectively.

4. Save as set out in 2 and 3, the 'A' variable rate preference shares shall not be entitled to any participation in the profits or assets of the Company, or on a winding-up, in any of the surplus assets of the Company.

5. The registered holders of the 'A' variable rate preference shares shall not be entitled to be present or to vote, either in person or by proxy, at any meeting of the Company, by virtue or in respect of the 'A' variable rate preference shares, unless any one or more of the following circumstances prevail at the date of the meeting:

5.1 the preference dividend or any part thereof in respect of the first period or any subsequent half-yearly period remains, whether declared or not, in arrear and unpaid after 6 months from the due date thereof;

5.2 any redemption payment remains in arrear and unpaid after 6 months from the due date thereof;

5.3 a resolution of the Company is proposed which directly affects the rights attached to the 'A' variable rate preference shares or the interests of the holders thereof, including a resolution for the winding-up of the Company or for the reduction of its share capital or share premium account;

5.4 a resolution of the Company is proposed for the disposal of the whole or substantially the whole of the undertaking of the Company or the whole or the greater part of the assets of the Company.

6. Subject to the provisions of 7, the terms of the 'A' variable rate preference shares may not be modified and the share capital, share premium and non-distributable reserves or stated capital of the Company, may not be repaid or distributed but may be used for such other purposes as are permitted by the Statutes, provided that such use does not have the effect of reducing the share premium account to below the amount of 90 cents per issued 'A' variable rate preference share plus any amount required to be retained in the share premium account in respect of any other shares, and, subject to Articles 159 and 160, no shares in the capital of the Company ranking, as regards rights to dividend, or, on a winding-up, return of capital, in priority to or pari passu with the 'A' variable rate preference shares shall be created or issued, without:

6.1 the prior written consent of the holders of at least three-quarters of the 'A' variable rate preference shares; or

6.2 the prior sanction of a resolution passed at a separate class meeting of the holders of the 'A' variable rate preference shares in the same manner, mutatis mutandis, as a special resolution. The provisions of these presents relating to general meetings of ordinary shareholders shall, mutatis mutandis, apply to any such class meeting, except that a quorum at any such class meeting shall be three persons holding or representing by proxy at least one-quarter of the 'A' variable rate preference shares, provided that if at any adjournment of any such class meeting a quorum is not so present then the provisions of these presents relating to adjourned general meetings of ordinary shareholders shall, mutatis mutandis, apply.

7. Subject to the provisions of the Statutes, the Company shall be obliged to redeem the 'A' variable rate preference shares, at par, together with a premium, payable out of the share premium account of 90 cents per 'A' variable rate preference share, in five annual instalments, the first of which shall be due and payable on 31 December 1987 and thereafter on 31 December in each succeeding year (or if any of those days is a public holiday, on the preceding business day) so that the following proportions of each registered 'A' variable rate preference shareholder's holding on the respective due dates, are redeemed on the respective due dates:

1/5 (one-fifth) on 31 December 1987;
1/4 (one-fourth) on 31 December 1988;
1/3 (one-third) on 31 December 1989;
1/2 (one-half) on 31 December 1990;
the full balance remaining on 31 December 1991;

subject to each redemption, other than the final redemption, being rounded down to the nearest 100 'A' variable rate preference shares and subject further to the Company having the right, in its sole and absolute discretion, on any redemption date, simultaneously to redeem any residual holdings of less than 100 'A' variable rate preference shares arising from the basic redemption in the year in question or any previous year.

8. The Company shall be entitled on or after 31 March 1984, by giving written notice on any dividend payment date, to redeem on the next occurring dividend payment date, all or any number of 'A' variable rate preference shares outstanding from time to time at par, plus a premium, payable out of the share premium account of 90 cents per 'A' variable rate preference share, provided that:

8.1 each such redemption shall be made to the holders of all the 'A' variable rate preference shares outstanding pro rata to their holdings;

8.2 the provisions of 9, 10 and 11 below shall, mutatis mutandis, apply to any such redemption.

9. By not later than 15 November of any year in which a redemption of the 'A' variable rate preference shares is to be made, the Company shall give notice of such redemption to the registered holders of the 'A' variable rate preference shares. The notice shall specify the time and place for payment to the 'A' variable rate preference shareholders and an address for surrender to the Company of the 'A' variable rate preference share certificates relating thereto. At the time and place so fixed, the registered holders of the 'A' variable rate preference shares shall be bound to surrender the said certificates in order that the same may be cancelled. Upon such surrender the Company shall pay to the said registered holders, or their duly authorised agents, the amount payable to them in respect of such redemption. If any certificate so surrendered includes any 'A' variable rate preference shares not being redeemed on the occasion on which it is so surrendered, then a fresh certificate for the balance of the 'A' variable rate preference shares not being so redeemed shall be issued free of charge to each of the registered holders, or their duly authorised agents, surrendering such certificates

10. There shall be paid on any 'A' variable rate preference shares redeemed all preference dividends (including any which are in arrear whether declared or not) accrued in respect of the same, down to the date fixed for the redemption thereof, and the preference dividends thereon shall cease to accrue from that date unless, upon surrender of the certificate of such 'A' variable rate preference shares, payment of the redemption moneys shall be refused by the Company.

11. The Company shall not be liable to an 'A' variable rate preference shareholder for interest on any unclaimed redemption moneys.

C. As an ordinary resolution

That, subject to the passing and registration of special resolutions A and B above, the 40 000 000 'A' variable rate redeemable cumulative preference shares of 10 cents each arising from the sub-division and conversion in terms of special resolution A above, be and they are hereby placed under the general control of the directors of the Company for issue at a premium of 90 cents per share to such person or persons at such time or times as the directors in their sole discretion may determine.

The terms of the special resolutions are set out above and the reasons for and the effects of such resolutions are set out in the circular of which this notice forms part.

Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and speak and, on a poll, to vote in his stead. A proxy need not also be a member of the Company. For the convenience of registered members of the Company, a form of proxy is enclosed herewith. In order to be effective, the properly completed proxy form must be deposited at the registered office of the Company not less than 24 hours before the time appointed for the holding of the meeting, or at the offices of the London secretaries not less than 48 hours before the time appointed for the holding of the meeting.

Holders of share warrants to bearer desirous of attending in person or by proxy or of voting at the meeting are required to comply with the regulations of the Company relating to share warrants. Copies of the regulations are available on application.

By order of the board

M. J. Meyer
Secretary

29 August 1979

Registered office and transfer office in South Africa
Consolidated Building
Corner Fox and Harrison Streets
Johannesburg, 2001
(Postal address: P.O. Box 590
Johannesburg, 2000)

Office of the London secretaries
Barnato Brothers Limited
99 Bishopsgate
London EC2M 3XE

Union Acceptances Limited
(Registered Merchant Bank)
A member of the Nedbank Group

Warning from Volvo after strong second quarter

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

VOLVO, the Swedish car and truck group, reports a 67 per cent climb in first-half earnings to SKR 645m ($133.5m) after an extremely strong second quarter performance during which its profit margin rose to 6.4 per cent of sales. In a cautionary footnote, however, Mr. Pehr Gyllenhammar the managing director, warns of the risk of deterioration in Volvo's business towards the end of the year.

Group turnover grew by 28 per cent to SKr 11.7bn ($2.78bn) compared with the first six months of 1978. All product groups improved their sales but most significant for the first half result was the 37 per cent leap in sales of cars to SKr 6.68bn. Despite the halt in deliveries to Iran, the truck division also achieved a 20 per cent increase in sales to SKr 2.78bn.

During the second quarter, Volvo pulled in pre-tax earnings of SKR 410m compared with the SKR 235m recorded both in hte first quarter of 1979 and the second quarter last year. The profit jump is attributed to the strong sales increase and to higher capacity utilisation.

First half car sales were 32,000 higher than in the corresponding period last year and group factories delivered 169,000 cars compared with 129,000.

Volvo turned in a first-half operating profit of SKr 687m against SKr 500m after depreciation, according to plan. A SKr 45m decline in net financial costs to SKr 60m contributed to the earnings improvement. Net adjusted earnings come out at SKr 17.20 a share compared with SKr 10.30 in the first half of 1978.

Gross investments in plant and machinery totalled SKr 318m, an increase of SKr 64m, and at the end of the reported period, Volvo held liquid assets amounting to SKr 2.78bn a rise of SKr 395m since the beginning of the year.

Electrolux earnings rise 30%

BY VICTOR KAYFETZ IN STOCKHOLM

FIRST-HALF earnings of Electrolux before tax and extraordinary items rose by just over 30 per cent to SKr 439.4m ($104.4m) from the corresponding 1978 figure.

The Swedish-based home appliance, office equipment and machinery manufacturer forecasts a 1979 pre-tax profit around 20 per cent above last year's SKr 677m, or roughly SKr 812m. Last spring the company had predicted a figure of SKr 745m but said in May that it might be exceeded.

Group turnover rose by 19 per cent to SKr 6.75bn ($1.6bn) with Sweden accounting for a virtually unchanged 75 per cent. At the spring annual meeting the managing director, Mr. Gosta Bystedt, forecast 1979 sales of nearly SKr 14bn.

Of the group's sales increase in the first half, 3.4 per cent is attributable to newly-acquired companies, including the power saw makers Jonsered and Partner in Sweden and Jobu in Norway and Lincoln the French washing machine manufacturer.

The group reports net extraordinary outlays of only SKr 800,000 for the first half of 1979 compared with net income of SKr 110.5m for the period last year. Investments in fixed assets excepting initial value of companies acquired rose by SKr 92m to SKr 306m.

The parent company showed first-half sales of SKr 1.12bn against SKr 703.8m but part of this large increase was due to incorporation of Huskvarna's Torsvik factory in Sweden into parent company accounts. Pre-tax profit rose from SKr 68.4m to SKr 75.7m.

PUK disposal of stake in Rhone-Poulenc

By David White in Paris

THE FRENCH metals and chemicals group, Pechiney Ugine Kuhlmann, has announced the sale of "the essential part" of its 7.6 per cent shareholding in the Rhone-Poulenc chemical group. It said it had disposed of the shares on the Paris Bourse in several stages over the last two months. The operation, carried out in consultation with Rhone-Poulenc, is estimated to have brought in FFr 180m ($42m) to bolster PUK's investment programme.

The leading shareholder in Rhone-Poulenc remains Saint-Gobain-Pont-a-Mousson, the wide-ranging glass-to-engineering combine, which holds 10.1 per cent.

PUK is carrying out a restructuring plan and pumping more money into its strong sectors. This particularly concerns aluminium, for which the group is increasing its French capacity, as well as nuclear fuels.

In June, it floated a FFr 300m loan to help finance the programme.

Convertible Eurodollar bond for Asahi Optical

BY FRANCIS GHILES

A CONVERTIBLE dollar bond of $30m for Asahi Optical, one of the world's leading camera manufacturers and distributors under the brand name of Pentax, was launched last night by Yamaichi International (Europe) and Crédit Suisse First Boston. Dillon, Read was initially expected to be joint lead manager of this issue but dropped out, the be replaced by CSFB.

The coupon on this issue has been set at 7 per cent and the final maturity of the bonds is 15 years. The coupon was initially expected to be 6¾ per cent but, even after the ¼ per cent increase, Dillon Read is understood to have been unhappy with the terms.

The bonds are convertible at the holder's option on or after November 1, 1979, into shares of Asahi Optical. These were quoted at Y541 on the Tokyo stock exchange yesterday, having reached a high of Y687 and a low of Y455 this year. The conversion terms will be fixed on September 11.

The company may not redeem the bonds before April 1, 1983. A redemption price of Y104 will be paid if the bonds are redeemed during the 12 months following that date.

Thereafter, the redemption price will fall by ½ per cent every twelve months until it reaches 100½.

Despite the easing in the six-month Libor rate by 1/16 to 12¼ yesterday, sharp mark-downs in straight dollar issue prices were recorded in the secondary market. Some issues shed as much as ¾ of a point, but the market appeared to stabilise during the afternoon and most issues closed about ½ a point lower on the day.

Some market participants are anticipating that one of the bond market's major clearing systems, Euroclear, will increase the rate it charges for overnight facilities from 11¼ to 11½ per cent later this week.

More activity than earlier on in the week was reported in the Deutsche-Mark sector, where secondary market prices of foreign D-Mark bonds posted gains of around ¼ of a point.

First-half profits and sales up at Ericsson

By Our Stockholm Staff

L. M. ERICSSON, the Swedish Telecommunications group, reports that after foreign exchange translation adjustments, its pre-tax profit in the first half was SKr 360.6m ($85.7m) against SKr 335m during the same period last year. But the company cautions that "comparisons with the first six months of 1978 are affected by the fact that Ericsson Do Brasil Comercio E Industria S.A. (EDB) is no longer treated as a consolidated subsidiary."

Sales rose by 9 per cent to SKr 4.47bn ($1.06bn). Orders received amounted to SKr 4.38bn, a drop from SKr 6.08bn, but Ericsson notes that the high level of orders in the first half of 1978 stemmed largely from its major contract with Saudi Arabia. During the third quarter of 1979, a supplementary contract with the Saudis totalling SKr 3.3bn was signed by Ericsson together with the Philips group.

"A number of important customers in Europe and Africa have delayed their decisions to order exchange equipment. An increase in orders received in the second half of the year can be expected."

Ericsson is sticking to its forecast of last spring that 1979 pre-tax profit will exceed the SKr 721m ($171m) noted last year on turnover of SKr 9.02bn. Orders on hand at June 30 totalled SKr 9.55bn against SKr 10.59bn at year-end 1978. The reduction was almost entirely due to the elimination of EDB's order backlog from the consolidated amounts. If EDB's sales for the first half of 1978 had been excluded from consolidated sales as in 1979, the increase in group turnover would have been 24 per cent, Ericsson says.

The transfer in late June of voting control in EDB to Brazilian interests was part of agreements reached in connection with the choice of Ericsson's AXE switching system as one of two systems to be used in future expansion of Brazil's telephone network. The parent company now holds 75 per cent of EDB's share capital but only 26 per cent of voting shares.

NORTH AMERICAN NEWS

Second quarter setback for Brascan earnings

BY OUR FINANCIAL STAFF

THE Toronto-based holding company Brascan expects earnings for the second half to show an improvement over the first six months, which did not meet expectations.

The company reported first half earnings from continuing operations of $11.6m against $6.5m, with second quarter earnings of $1.8m, down from $5.4m last time.

Last year's figures were boosted by income from discontinued operations, principally reflecting the sale of Light Servicos de Electricidade to the Brazilian state. This lifted net income from the quarter to $27m and for the first half to $36.2m.

Brascan pointed out that first half results bore the full $5.1m cost of the unsuccessful bid for F. W. Woolworth, after which control of Brascan passed to Edper Equities.

The company is currently reviewing the carrying value of some of its investments, including the lossmaking Brascan Brazil. The greater devaluation of the cruzeiro pushed this operation into a loss of $2.1m in the second quarter compared with a profit of $2.4m, and a loss of $3.6m at the halfway stage against a profit of $1.1m.

Consolidated Foods sees record

BY OUR FINANCIAL STAFF

THE CHICAGO-BASED food processing and distribution concern Consolidated Foods is confident of record sales and earnings in 1980 following a record performance for the year to June 30. Hanes Corporation, the fast-growing hosiery and clothing company acquired in December, is expected to contribute significantly.

For the year just ended, Consolidated Foods turned in a 10 per cent increase in net income to $111.47m on sales up 34 per cent at $4.7bn. Per share earnings rose from $3.21 to $3.60.

The speciality meats, food services and frozen foods groups achieved improvements in net income and the 65 per cent-owned Douwe Egberts of Holland doubled earnings over the year. Consumer direct sales companies had slightly lower earnings, principally due to a downturn at Electrolux of Canada.

Fourth quarter net income was $34.18m or $1.11 a share on sales 18 per cent up at $1.3bn.

Strike and margins squeeze hit Rexnord

MILWAUKEE—Pressure on margins, a strike at its roller chain division and lower profits from process machinery and environment control equipment lowered third quarter net earnings of Rexnord from $13.33m or 78 cents a share to $12.65m or 69 cents a share. Sales rose from $219.4m to $252.4m.

The group, which is primarily a producer of power transmission equipment, is still ahead at the nine-months stage, however, with net earnings of $39.24m over 8 per cent higher than the previous year's $36.21m. Per share earnings were $2.18 against $2.09 previously while sales totalled $726.2m against $634.5m.

The strike, which ended early this month, is expected to penalise fiscal 1979 earnings by about 6 cents a share.

Agencies.

Kodak in anti-trust suit

BY OUR NEW YORK STAFF

IN THE WAKE of the Berkey case, another photographic company, Argus of New Jersey, is taking Kodak, the giant of the photographic business to court.

In an anti-trust suit filed in New York, Argus claims that Kodak "unlawfully" achieved market dominance and a competitive advantage by simultaneously marketing new photographic equipment and the film to fit it.

Argus wants treble damages under the Sherman Act, and is asking the court either to force Kodak to divest itself of its camera business or to change the format of its films so that they can be used in the products of competing manufacturers.

The Argus suit is also aimed at GTE Sylvania and General Electric, who made the flash equipment for Kodak cameras.

The Berkey case is currently under appeal to the Supreme Court after the U.S. court of appeals overturned most of an earlier $87m award to Berkey.

Chrysler claims sharp rises in sales

By David Lascelles in New York

CHRYSLER, the ailing U.S. motor manufacturer, claimed yesterday that the first three days of its new cash rebate programme had brought sharp increases in dealer sales of cars and trucks.

Chrysler introduced the $400 per-car cash rebate on August 16 to spur its flagging car sales and reduce unseasonally high stocks. The company said it had sold 5,521 cars and 1,852 trucks over the three days, and that its dealers around the country were reporting a 40 to 80 per cent increase in sales.

Meanwhile, Chrysler is apparently quietly telling its bankers that it expects to make a loss of between $600m and $700m this year, and be back in the black in 1981, according to the Wall Street Journal yesterday.

Itel Corporation

Reports in this newspaper earlier this month that Itel Corporation was embroiled in law suits relating to its computer leasing insurance policy with Lloyd's of London underwriters were inaccurate. No action between Itel and Lloyd's has currently been instituted or threatened, and Itel is not a party to any such action involving any of its computer leasing insurance policies.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on August 29

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Alcoa of Australia 10 89	60	96	96½	−0¼	−1¼	10.62
Alex Howden XW 5¼ 91	30	†80	82	+1	+0¼	12.56
Australian Res. 9⅜ 84 ...	30	96⅞	97⅛	−0⅜	−0⅜	10.46
Avco O/S Cap. 10½ 87	40	92¼	93	−1¼	−3¼	11.73
Beneficial Fin. 9¼ 87 ...	100	95⅞	96⅜	−0¼	−1¼	10.49
CECA 10¼ 81	150	95½	96	−0⅜	−1⅜	11.41
CECA 9¾ 99	125	†92	92½	−0⅜	−1⅜	10.33
Canadian Pacific 9¾ 89	50	95⅜	95⅞	+1⅛	−1¼	10.24
Carter Hawley 9¾ 86 ...	50	94⅜	95⅛	−0⅜	−1⅜	10.61
Comalco Inv. E. 10¼ 91	40	97⅛	97¾	−0⅜	−1⅜	10.6[illegible]
Continental Grp. 9⅞ 86	100	98⅛	98⅝	−0¼	−1⅛	10.26
Doma Petroleum 10 84	50	93⅜	93⅞	−0⅜	−1⅜	10.58
Dominion Bridge 10¼ 84	30	92¾	98½	−0¼	−0⅞	10.61
Dow Chem. O/S 9¾ 94	200	96⅜	96⅞	−0¼	−0⅞	10.06
EIB 9⅛ 86	150	93	93½	−0⅛	−0⅞	10.25
EIB 9⅞ 99	100	97⅛	99⅛	0	−0⅞	10.25
EIB 9⅞ 87	150	99	99½	−0⅛	−1	10.26
EIB 10 99	150	98⅛	99⅝	0	−0⅞	10.31
Export Dv. Cpn. 9½ 84	100	95⅞	96⅜	−0¼	−0⅝	10.74
Finland 9½ 86	100	96⅞	97⅛	−0⅛	−1⅛	10.26
Finland 9⅝ 89	100	97	97½	−0¼	−0⅞	10.32
GTE Finance 9½ 84	50	98	98½	−0⅛	−0⅜	[illegible]
GTE Finance 9¾ 89	56	93½	94	−0⅜	−1⅛	10.80
General Motors 9¼ 86	100	96⅝	97⅛	−0⅛	−1⅛	10.18
Gould Int. Fin. 9¾ 85	50	96⅞	97⅜	0	−0⅜	10.40
Hoechst Fin. XW 6¼ 89	125	†78⅛	78⅝	−0¼	−0⅝	10.35
Hudson Bay Co. 10 84	50	96⅞	97⅜	−0⅛	−1⅛	10.41
ITT Antilles 9½ 89	75	93⅞	94⅜	−0⅛	−1⅛	10.48
Kennecott Int 9⅝ 86	100	92¾	92¾	−1⅛	−1⅛	11.12
Manitoba 9½ 89	75	95⅞	96⅜	−0⅛	−1	10.28
Nat Dev Telecom. 9½ 86	100	96⅞	97	−0⅛	−0⅛	[illegible]
New Brunswick 9¾ 94	75	93½	94	−1⅛	−2	10.60
Newfoundland 10 84	50	97⅛	97⅝	−0⅛	−1⅛	[illegible]
Norway 9¼ 84	150	99	99½	−0⅛	−0⅝	10.21
Norway 9½ 84	150	97⅛	97⅝	−0⅛	−0⅝	10.17
Nova Scotia Pwr. 9¾ 89	50	95⅛	95⅝	−0⅛	−1⅛	[illegible]
Occidental Fin. 10¼ 84	50	97⅛	98	−0⅛	−1⅛	10.85
Orient Leasing 9½ 86	25	94½	95	0	[illegible]	[illegible]
Pennwalt O/S F [illegible] 84	25	96⅞	97⅜	−0¼	−0⅝	10.52
Pepsico Cap. 9¼ 84	100	97⅛	97⅝	−0⅛	−0⅝	9.97
Portland 10 84	50	96⅞	97⅛	−0⅛	−1	10.88
Quebec Hydro 10 89	75	[illegible]	94½	−0⅛	−0⅜	10.70
Redland Fin. XW 9¼ 91	25	79	80	0	−0⅞	11.14
Sears Roebuck 9 82	150	96⅞	97⅛	−0⅛	−0⅞	10.45
Statoil 9¾ 89	100	99⅛	99⅝	−0⅛	−0⅜	10.18
Stockholm 9¾ 84	80	96⅜	97⅛	−0⅛	−0⅜	10.18
Sweden 9⅛ 89	100	96⅞	97⅛	−0⅛	−1	10.21
Sweden 9⅛ 86	200	97⅛	97⅝	−0⅛	−0⅛	[illegible]
Sweden 9⅛ 84	100	97⅛	97⅝	−0⅛	−1⅛	10.28
Unilever NV 9⅛ 87	100	94⅛	94⅝	+0⅛	−1⅛	[illegible]
Warner-Lambert 9 84	100	95½	96	−0⅛	−1	10.14

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Argentina 7½ 88	150	95	95½	0	−0⅛	8.22
Asian Dev. Bk. 7¼ 89	100	98⅞	99⅜	+0⅛	−0⅛	7.45
Banco Desarrollo 7¼ 86	100	94½	95	+0⅛	−0⅛	8.31
Barclays O'seas 6¾ 89	100	98⅞	99⅛	−0⅛	−0⅛	6.92
Brazil 7¼ 87	150	93⅞	97⅜	−0⅛	−0⅛	7.79
Brazil 8 87	150	100	100½	+0⅛	0	7.95
CECA 7 91	150	98⅞	99½	+0¼	+0⅛	7.15
Council of Eur 7¼ 89	100	98⅞	99⅜	0	0	7.25
Denmark 7¼ 8[illegible]	100	94⅞	95⅜	+0⅛	0	6.30
Denmark 6½ 89	100	94½	95	0	−0⅛	7.28
EIB 6½ 91	200	94½	94⅞	0	−0⅛	7.24
EIB 7¼ 89	200	100⅞	101⅜	−0⅛	−0⅛	7.38
Eletrobras Brazil 7 87	100	94⅛	94⅝	−0⅛	−0⅛	8.02
Eurofima 6¾ 89	100	98⅛	98⅝	+0⅛	−0⅛	6.86
Finland 6 83	150	97⅞	98⅜	0	−0⅛	6.47
Mitsubishi Chem 6¼ 84	70	100	100½	+0⅛	−0⅛	6.39
New Zealand [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic Inv Bk [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norges [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Occidental [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Argentina [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian Dev. Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aumar [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNDE [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brazil [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Caisse [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Eur [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elet de France [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heron [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ICI Fin NV [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Amer. Dev. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shikoku [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Australia [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Nordic I. Bk. 9 84 SDR	20	96½	97¼	0	+0¼	9.78
Avco. Fin. 10¼ 86 C$ ...	25	93⅞	94⅜	−0¼	−1¼	11.59
Ex. Dev. Cpn. 10 84 C$	50	96⅞	97⅜	−0⅛	−1	10.8[illegible]
Fst. Can. Inv. 10 84 C$	50	95⅛	95⅝	−0⅛	−1⅛	11.29
Hudson Bay 10½ 89 C$	60	97⅛	97⅝	−0⅛	−1⅛	10.91
Quebec 10½ 86 C$	50	96⅞	96⅞	−0⅛	−0⅛	11.2
R. Bk. Canada 10 86 C$	40	95⅞	96⅜	−0⅛	−2⅛	10.85
R. Bk. Canada 10 94 C$	40	†91½	92	−0⅛	−1⅛	11.16
Copenhagen 8¼ 91 EUA	25	87⅛	88⅛		−0⅛	[illegible]
Komm. Inst. 7½ 83 EUA	15	93⅞	94⅜	0	0	8.20
SDR France 8½ 84 EUA	24	99	99½	0	−0⅛	8.57
SOFTE 8¾ 89 EUA	40	94½	96	0	0	8.97
Algemene Bk. 8¼ 83 Fl	75	†92½	93	0	0	9.60
CFE Mexico 7¾ 83 Fl ...	75	†96⅜	97⅜	+0¼	+0⅛	8.88
EIB 7¾ 85 Fl	75	†93	93½	0	−0⅛	8.72
Ned. Middbk. 8¼ 84 Fl	75	†100	100½	0	−0⅛	8.16
New Zealand 6¾ 84 Fl	75	†93	93½	0	−0⅛	8.50
Norway 8¼ 84 Fl	100	†99⅝	100⅛	+0⅛	−0⅛	8.23
Elf Aquitaine 9¾ 89 FFr	150	90	91	0	−0⅛	11.44
Euratom 9¾ 87 FFr	150	91⅛	92⅛	−0⅛	−0⅞	11.42
Norway 9¾ 84 FFr	200	93⅝	94⅜	−0⅛	−0⅛	11.10
PSA Peugeot 9¾ 87 FFr	175	90⅛	91⅛	0	−0⅛	11.54
Renault 9¾ 85 FFr	100	92½	93⅛	0	−0⅛	11.44
Saint-Gobain 9¾ 86 FFr	125	90⅞	91⅞	−0⅛	−0⅛	11.69
Solvay et Cie 9¾ 87 FFr	125	90⅛	91⅛	−0⅛	−0⅛	11.51
Total Oil 9¾ 87 FFr	150	88⅞	89⅞	0	−0⅛	11.56
Citicorp 10 93 £	20	90⅛	90⅞	−0⅛	−0⅛	11.39
FIR 8¾ 88 £	25	91	91¾	−1⅛	+0⅛	11.38
EIB 11½ 91 £	25	96⅛	96⅞	−1⅛	0	12.07
Finance for Ind. 13 91 £	15	102⅜	102½	+0⅛	0	12.44
Fin. for Ind. 12¾ 89 £	30	101⅛	101¾	+0⅛	+0⅛	12.21
Gen. Elec. Co. 12¼ 89 £	50	101⅛	102	+0⅛	+0⅛	12.15
Indonesia 8¼ 91 KD ...	7	†97⅞	98⅛	−0⅛	−0⅛	8.04
Mitsubishi 7½ 84 KD ...	10	†97½	98	0	0	8.07
Norges Kom. 7¾ 89 KD	12	†98⅛	98⅞	−0⅛	−0⅛	8.04
Occidental 8¼ 91 KD ...	7	†95⅜	95⅞	−2⅛	−2⅛	8.80
Euratom 8 87 LuxFr ...	500	95½	97½	+0⅛	+0⅛	8.54
Norges Kom. 8 86 LuxFr	500	95⅛	96⅛	0	+0⅛	8.70
Oslo, City of 8 89 LuxFr	500	97⅛	98⅛	0	−0⅛	8.34
Solvay Fin. 8 85 LuxFr	500	96⅛	97½	−0⅛	0	8.63

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BFG Fin. Co. 5½ 89	0¼	97⅞	98⅜	11/1	11	11.21
BNDE 6 89	0¾	96⅛	96⅝	21/9	11⅜	11.54
Banco di Roma Int. 6 87	0¼	98⅛	98⅜	26/10	11.19	11.38
Bco. Nac. Argent. [illegible] 86	0¾	97⅛	97⅝	22/9	11⅜	11.78
Banco Prov. BA 7¾ 86...	0¾	98	98½	12/6	11	11.20
Banco Urquijo 6 86 ...	0¾	97⅜	98⅛	21/9	11½	11.73
Bank of Tokyo 5½ 93 ...	0¼	98⅞	99⅜	18/10	11¾	11.88
Bq. Ext. d'Alg. 7½ 85 ..	0⅝	95	96	2/11	11⅞	12.43
Bque. Indo Suez 5¼ 89	0¼	98⅛	98⅝	11/1	11	11.18
Banque Sudameris 6 87	0¾	96⅞	97⅜	11/1	11⅛	11.48
BNP 5½ 91	0¼	98⅞	99⅜	22/2	11.94	12.07
Citicorp O/S Fin. 6 94...	‡0¼	99⅛	99⅞	8/9	10.89	10.73
Citicorp O/S 83	‡0	99¼	99¾	23/2	—	—
Creditanstalt 5½ 91	‡0¼	98⅛	98⅞	14/9	10⅞	11.03
GZB 5½ 89	‡0¼	96⅞	98⅞	1/11	11.44	11.69
Gotabanken 6 88	0¾	98⅛	99	15/5	11¼	11.65
Ind. Bk Japan 5½ 86 ..	0¼	99	99½	1/12	10.94	11.02
Jyske Bank 6 89	0⅝	96	96⅝	23/11	11⅞	12.32
LTCB Japan 5¼ 85	0¼	98⅞	99⅜	9/10	11½	11.67
LTCB Japan 5¼ 89	0¼	98½	99	7/12	11⅛	11.27
Mfrs. Han. O/S 5¼ 94...	‡0¼	99⅛	99⅝	29/8	11.19	11.24
Nacional Fin. 6¼ 86 ..	0⅝	97⅞	98⅜	25/1	11½	11.75
Nat. West. 5¼ 94	0¼	99	99½	11/10	11	11.20
Nippon Credit Bk. 5½ 85	0¼	97⅞	98⅜	12/1	10⅞	11.11
Nippon Credit Bk. 6¼ 86	0¼	97⅞	99⅜	12/1	10⅞	11.11
Petro Mexicano 7 84 ...	0¾	98⅞	99⅜	24/1	11.44	11.57
Privredna Banka 8 86	0⅞	95¼	96	20/12	11.58	12.11
Royal Bank Scot. 5¼ 94	‡0¼	98½	99	11/10	11	11.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.39

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−4.93
Ciba-Geigy O/S F [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.96
Credit Suisse [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.44
Esselte [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−1.67
Honda Motor [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	22.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.08
Union Bank Switz. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.56
Fujitsu [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.11
Kansai Elec. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	52.24
Marudai Food [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	47.77
Nippon [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−4.49
Sharp Corp. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.23
Tokyo Elec. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	50.24
Tokyo [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	41.17

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

VONTOBEL EUROBOND INDICES
14.5.76=100%

PRICE INDEX	21.8.79	28.8.79	AVERAGE YIELD	21.8.79	28.8.79
DM Bonds	100.57	100.36	DM Bonds	7.236	7.274
HFL Bonds & Notes	97.42	97.64	HFL Bonds & Notes	8.613	8.797
U.S. $ Strt. Bonds	95.33	94.99	U.S. $ Strt. Bonds	9.725	9.826
Can. Dollar Bonds	95.98	96.[illegible]	Can. Dollar Bonds	10.316	10.44[illegible]

INTERNATIONAL CAPITAL MARKETS

New facility for Venezuelan agency

BY ROSEMARY BURR AND FRANCIS GHILES

THE VENEZUELAN telephone utility, Cantv, is raising a one year $200m credit via Swiss Bank Corporation. The facility, renewable for a further year at the borrower's option, carries a spread of ⅜ per cent. Managers of the loan are Chase Manhattan, Libra, Lloyds Bank International and Westdeutsche Landesbank.

This is the latest in a spate of short-term credits to be raised by Venezuelan agencies this year. Market sources estimate that about $2.5bn in short-term debt has been incurred, making a total figure, for short-term Venezuelan debt in the region of $9.5bn.

Both the overall size of the indebtedness and the timing of these transactions (there has been a steady increase in their number over the summer), is leading to speculation in some quarters of the market that Venezuela might move to consolidate this debt and stretch out its maturity.

Meanwhile, the largest syndicated bankers' acceptance facility yet raised in the U.S. money markets, the $1.5bn transaction for Pemex, the Mexican State oil company, has been well received. The response from banks has been described as "overwhelming" by the lead managers of the facility, Bank of America.

In excess of $3.5bn has been subscribed, with interest being split roughly equally between U.S. and foreign banks. The amount of the facility will not be increased. The deal is scheduled to be signed in Los Angeles on September 6.

The success of the Pemex deal has led to speculation that further transactions of this type will be arranged. While not ruling out the possibility of other major oil or gas firms tapping the market in a similar fashion, bankers point out that the number of borrowers whose requirements would be best met in this way is limited.

A $250m loan currently being arranged for the Kingdom of Morocco is meeting with a very cool reception in the international capital markets: the joint lead managers, Compagnie Financiere de la Deutsche Bank and Credit Industrial et Commercial have only succeeded in syndicating just over 7 per cent of the total amount of $250m. This compares poorly with the more than 40 per cent achieved by UBAF on a $200m loan it completed for the Moroccan state phosphate company, OCP, last June.

The terms of that loan were identical to those on the loan being syndicated for the Kingdom. Two months ago, the two banks offered to raise $300m for the Kingdom on a "best effort" basis. A few weeks later they were awarded a mandate when they presented the Ministry of Finance in Rabat with a firm offer of $250m.

Two factors lie behind this weak performance. First of all a number of major international banks which have traditionally led or been included in the management groups of loans for Morocco declined to join in this loan. However, the management group does include BNP, Societe Generale, UBS, Fuji Bank and Bayerische Landesbank. The Moroccan Minister of Finance has emphasised, at the signing of the OCP loan last June in Paris, that Morocco would not seek further credit until this autumn.

Secondly, the Moroccan economy is in parlous state due both to the low price fetched by the country's major hard currency earner, phosphates, on world markets, and to the increasingly expensive war it is fighting on its southern borders to retain control of the Western Sahara.

Morocco's foreign currency reserves fell by 41 per cent during the first quarter of this year to $263m. Since then they are believed to have risen to around $550m, thanks not least to a $200m handout from Saudi Arabia.

New parent for Trade Credits

By James Forth in Sydney

SOCIETE Generale, the French banking group, has linked with Trade Credits the Australian finance company, and plans to expand activities into the merchant banking field. The French group has agreed to buy the 30.04 per cent stake in Trade Credits held by National Insurance Company of New Zealand and to subscribe for additional shares to take its holding to 50 per cent.

It is paying A$1.15 (US$1.29) a share for the 1.68m shares held by the NZ Insurance Group and 70 cents a share for a placement of 2.7m shares. The average price is 87 cents a share or US$4.29m for the 50 per cent stake. Yesterday's closing sharemarket price was 78 cents.

Trade Credits' other major shareholder, Colonial Mutual Society, the life office, has agreed to the arrangement and will subscribe for additional shares, also at 70 cents, to maintain its stake at 14.66 per cent.

The proposals are subject to approval by Trade Credits shareholders and the Australian government. An application will be lodged soon with the Foreign Investment Review Board.

Societe Generale will also provide Trade Credits with up to A$9m, to be drawn down as required over the next two years, and provide standby facilities.

The French bank will join with Trade Credits to establish a jointly-owned merchant bank, to be known as Societe Generale Australia, which will concentrate on the local leverage leasing and resource project financing markets.

Cement-Roadstone profits up

BY OUR FINANCIAL STAFF

IRELAND'S largest industrial company, Cement - Roadstone Holdings, which also has major interests in the UK and overseas, announced a 24 per cent increase in profits for the half year to IR£11.1m ($25m).

Net earnings of 6.28p a share compared with an adjusted 5.75p last year. An interim dividend of 1.83p a share is declared, against an adjusted 1.44p.

Trading profit, which increased from IR£10m to IR£12.2m, benefited from the inclusion of profits at J. and W. Henderson, Amcor, and Southern Chemicals, for the first time. Profits declined at both Irish Cement and Van Neerbos.

A major boost to the pre-tax total came from the share in associated companies' profits at IR£1.1m compared with IR£447,000. This year's total includes a further contribution from Roadstone BV in respect of the harbour contract at Calabar, Nigeria and also the group's share of profits of the T.B.F. Thompson Group from mid-January.

Sales in all operations were affected by exceptionally poor weather earlier this year, and UK business was also hurt by the strike by road hauliers.

But volume increased considerably as the weather improved and sales of cement in the home market again exceeded expectations.

● A FURTHER increase in profits in the second half at Fitzwilton, the Irish investment holding group, has taken the total for the full year above forecast. Pre-tax profits for the 12 months to June 30 are 86 per cent up at IR£2m ($4.1m). The final dividend is increased to 3.4p a share bringing a total of 5.2p against 4p last year.

The chief factor behind the improvement, according to a company spokesman, has been the turnround from loss into profit at Goulding Chemicals. Goulding contributed around IR£500,000 to the total of IR£1.4m taken into group profits from the share of profits of associated companies. Last year, the associated companies contributed IR£721,000.

Cash and bank balances remain strong at IR£3.2m, and a major boost to this total is expected shortly when sales contracts are completed for the disposal for about IR£500,000 of the group's major site in South Great George's Street, Dublin.

Venezuela to buy rest of Indulac

BY JOHN WICKS IN ZURICH

THE VENEZUELAN Government has expressed its wish to acquire full control of Indulac, a national manufacturer of powdered milk in which the Swiss Nestle group has a stake of 40 per cent. In 1976, Nestle reduced its shareholding in Indulac to a minority participation as part of the Venezuelisation of the milk industry, while remaining responsible for administration and technical control. Since then, the remaining 60 per cent has been held by the Government, Venezuelan farmers and Indulac ex-employees.

Nestle SA says it respects the wish of the Government in Caracas and "does not doubt that a mutually satisfactory agreement can be reached." Indulac employs some 1,500 persons in four factories.

* * *

THE SWISS engineering concern Von Roll AG, of Gerlafingen, is next month to close the Sayreville steelworks of its U.S. affiliate New Jersey Steel Corporation. The Sayreville operation, which belongs to the Von Roll subsidiary Monteforno SA, is reported to have booked "continuing heavy losses."

Von Roll says in a letter to shareholders that it has been impossible to improve fundamentally the long-lasting uneconomic nature of the operation. However, existing processing plants attached to the Sayreville steelworks will continue to produce.

At the same time, Von Roll announces further rationalisation measures in Switzerland itself. As part of these, the drop forging facility in Gerlafingen—which is said to have been losing money for years—is to close. Other rationalisation steps will be carried out in foundry operations and at steel units in Gerlafingen and at the Monteforno works in Bodio.

Von Roll, which has not paid a dividend since 1974, had indicated in June that results would be better this year than last, but the company was then hit by a net loss of SwFr 17m. The company now states that considerable progress has been made in re-structuring the group, the new measures serving to continue the long-term recovery plan. Von Roll AG turnover rose by over 15 per cent in the first half of this year, though orders did not keep up with this rate and a flattening-off of sales is expected for 1980.

* * *

A REDUCTION of dividend from SwFr 5.85 to SwFr 5 per certificate is announced by the Swiss investment-fund administrator Gestivalor Gestione Fondi SA, Lugano, for its international bond fund Rentvalor. The circulation of certificates rose by nearly 16 per cent in the financial year ended June 30 to 907,622, fund assets reaching a level of SwFr 75.6m. Rentvalor, an affiliate of the Lugano-based Banca del Gottardo, reports the adverse effect in the 1978-79 business period of the appreciation of the Swiss Franc in terms of non-mark currencies. In the fund portfolio, the Swiss-Franc share amounted to 42.5 per cent and that of Deutsche Mark bonds grew to nearly 26.5 per cent. Dollar holdings were reduced from 25.6 per cent to 21.55 per cent. Long-term paper of more than seven years' maturity increased its portfolio share to nearly 37 per cent.

Second half rally fails to lift AMI

By Our Sydney Correspondent

TOYOTA motor vehicle assembler and distributor, Australian Motor Industries rallied in the second half of 1978-79, but still registered a 13.8 per cent lower profit. Group earnings dropped from A$4.48m to A$3.86m (U.S.$4.35m), prompting the directors to shave the dividend from 7 cents to 6.5 cents a share.

Better second-half trading cushioned the profit slip, but tax gains from trading stock valuation adjustments, investment allowances and a change in accounting policy relating to tooling costs also played a part. Previously the tooling costs were written off in the year they occurred, but they will now be depreciated over the life of the tools. The pre-tax profit would have been A$1.13m lower, but for the accounting policy change.

At the half-way mark profit was down 44 per cent from A$1.32m to A$740,000. In the last six months the company earned A$3.12m, which was only slightly less than the A$3.17m for the same period of 1978.

The lower dividend is still almost five times covered by earnings of 32 cents a share, compared with 37 cents in 1977-78.

Sea Malta warns on prospects

BY GODFREY GRIMA IN MALTA

SEA MALTA, the island's state controlled national cargo line, faces "dismal prospects" Mr. Albert Mizzi, the chairman, warned shareholders in his annual report. Despite the fact that 1978 proved the best trading year so far, depressed world wide trading conditions, stiff competition, and increased costs left Sea Malta with a loss of M£64,674 ($193,764).

Shipowners, Mr. Mizzi added, were still carrying the brunt of a trade recession with consequential overtonnage and low freight rates. Sea Malta's northern routes remain particularly unprofitable. Competition from Line Conference members and Soviet lines operating from London and Rotterdam sapped profits made from other more worthwhile routes. At the same time increased repair maintenance and fuel costs have made matters worse. "Prospects for our shipping company therefore cannot be but dismal in spite of our determined efforts to carry more cargo, curb expenses and exercise all round economies" Mr. Mizzi told shareholders.

Proposals, he added, had been made to Algeria and Libya both of which hold financial interest in Sea Malta, to promote closer collaboration and rationalise liner services where possible. Talks were also taking place to improve relations with Soviet lines.

Sea Malta registered a trading surplus of M£397,620 before depreciation and interest. During the year the company carried 50,000 freight tons of transhipment cargo compared to 32,400 freight tons in 1977.

* * *

KURSAAL COMPANY, which owns the Dragonara Palace Hotel and Casino in Malta and 50 per cent of the Hotel Villa Sant' Andrea, Sicily, has reported turnover for the year to May 31 up by more than M£200,000 to a best ever M£2.45m ($7.35m) and profit of M£204,000 compared with M£150,750 subject to taxation of M£78,000 against M£66,200.

The figures exclude any contribution from the Hotel Villa Sant' Andrea, Sicily, and the Grand Hotel Verdala, Malta, where Kursaal owns a 19 per cent interest.

The final dividend is 7 per cent making 12½ per cent for the year, against 11 per cent.

Mr. Eric MacAdie the chairman says that the Malta tourist trade is "booming" and despite the fact that Casino profits are hard to maintain because the island is not yet attracting the "big spenders" he is looking forward to a further improvement in results for the current year.

First half recovery for Haw Par

By Our Financial Staff

HAW PAR Brothers International, a Singapore investment company, has reported an unaudited pre-tax profit of S$ 2.83m (U.S. $1.31m) for the first half of 1979, compared with a loss of S$ 255,000 a year ago.

Announcing the result, the directors said they expected the company to meet the forecast pre-tax profit figure of not less than S$ 6m for the full year. The forecast was made last May when Haw Par unveiled a S$ 43m offer for Setron, a local assembler and distributor of television sets and other electronic goods.

The latest results and the forecast exclude any contribution from Setron. It reported a pre-tax profit of S$5.43m in 1978 against a figure of S$4.19m in 1977.

Synthetic rubber plant for Sentrachem

BY QUENTIN PEEL IN JOHANNESBURG

THE CHEMICALS group, Sentrachem, South Africa's second largest producer after AECI, yesterday announced a 12.5 per cent increase in pre-tax profits and simultaneously revealed plans to build a R123.6m ($147m) factory to produce synthetic rubber from coal.

The project is intended to make South Africa virtually independent of imported natural rubber, by producing more than 90 per cent of requirements, and will come on stream by mid-1982.

Despite continuing losses on the R250m Coalplex project, which it operates jointly with AECI, Sentrachem's preliminary profit statement shows pre-tax profits to June 30 of R38.4m (compared with R34.1m a year ago) and after tax profits up 10.4 per cent to R23m.

The dividend is 23 cents for the 12 months period, 3 cents up on last year. Earnings per share rose from 37.4 cents to 40.9 cents for 1978/1979.

Although the Coalplex operation is not singled out in the statement, a company spokesman said profits would have risen by 50 per cent if losses of R17m to R18m on the project had been excluded. Coalplex produces plastics and caustic soda from coal.

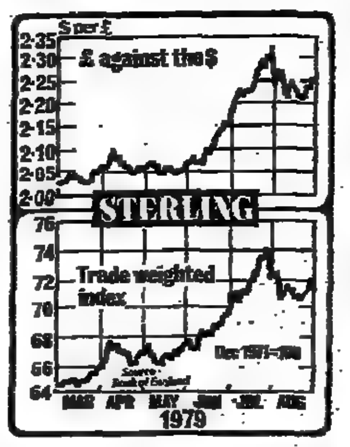
Sentrachem's latest venture, a multi-purpose solution polymerisation plant, is to be built in Newcastle, Natal, and undertaken by the group's wholly-owned subsidiary Karbochem. Although construction will not start until 1980, the plant was presented yesterday as a major strategic breakthrough for South Africa. Nominal capacity will be 73,000 tonnes a year.

The factory will be financed by a consortium of banks consisting of Nedbank, Senbank and Stannic, the Standard Bank subsidiary, on a subpensive sale financing scheme, meaning that the plant will be purchased at a turnkey price from the consortium on commissioning.

CURRENCIES, MONEY and GOLD

Sterling and dollar firm

STERLING continued to advance in more active foreign exchange trading yesterday, while the U.S. dollar had a firm undertone helped by higher U.S. interest rates, and the reduction in the U.S. July trade deficit. The pound opened at \$2.2475-2.2485, and fell to a low of \$2.2460-2.2470 in the morning.



Around lunch, sterling touched a best level of \$2.2580-2.2590, but eased slightly in the afternoon, to close at \$2.2520-2.2530, a rise of 30 points on the day. Sterling's trade-weighted index, as calculated by the Bank of England, rose to 72.1 from 71.9, after standing at 71.9 at noon and 71.8 in early trading.

The dollar's index, on Bank of England figures, improved to 85.0 from 84.9. The U.S. currency traded within a narrow range of DM 1.8300 to DM 1.8335 against the D-mark, before closing at DM 1.8305, compared with DM 1.8290 previously. Movements against the Swiss franc were also small, ranging between SwFr 1.6595 and SwFr 1.6655, with the dollar closing at SwFr 1.6625, compared with SwFr 1.6585. The dollar/yen rate finished at Y221.85, compared with Y220.50, after trading between Y221.20 and Y222.20.

The French franc was one of the few currencies to improve against the dollar, helped by news that the French Government is to give a boost to the economy. The dollar eased to FFr 4.2650 from FFr 4.2675.

There was no sign of central bank intervention as far as the dollar was concerned yesterday, but the Belgian franc received support when it declined sharply against the D-mark. It replaced the Danish krone as the weakest member of the European Monetary System.

FRANKFURT — The Bundesbank did not intervene when the dollar was fixed at DM 1.8316 against the D-mark, compared with DM 1.8305 previously. Trading was quiet, with the U.S. currency declining from an early level of DM 1.8328 following news of a reduction in the U.S. trade deficit last month. Dollar/yen trading was quite active, while sterling remained firm on speculative interest. The pound was fixed at DM 4.1360, after trading at DM 4.1190 earlier in the morning. Rumours continued about Middle Eastern interests dealing in large amounts of sterling.

TOKYO — The dollar continued to advance in active trading, closing at Y221.42½ against the Japanese yen, compared with Y220.62½ on Tuesday. The Bank of Japan gave further support to the yen, selling an estimated \$50m following news of a sharp reduction in the U.S. trade deficit in July.

THE POUND SPOT AND FORWARD

Aug. 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2460-2.2590	2.2520-2.2530	0.50-0.40c pm	2.40	1.03-0.93c pm	1.74
Canada	2.6290-2.6460	2.6360-2.6370	0.55-0.45c pm	2.28	1.15-1.05 pm	1.67
Nethlnd.	4.51-4.55	4.51¾-4.52¾	2¼-1¼c pm	4.31	5¾-4¾ pm	4.42
Belgium	65.85-66.45	66.10-66.20	15-5c pm	0.60	40-30 dis	−2.12
Denmark	11.88-11.93	11.88-11.89	½ore pm-1½ dis	−0.50	3-5 dis	−1.35
Ireland	1.0935-1.1000	1.0982-1.0992	27-37p dis	−3.50	90-100 dis	−3.46
W. Ger.	4.11-4.14½	4.12-4.13	2¼-1¼pf pm	6.55	7¼-6¼ pm	6.42
Portugal	110.50-111.60	110.80-111.10	30-80c dis	−5.95	135-235 dis	−6.67
Spain	148.40-149.20	148.65-148.75	225-275c dis	−20.17	595-695dis	−17.35
Italy	1839-1848	1841½-1842½	1½lire pm-½lire dis	0.33	4¼-6¼ dis	−1.14
Norway	11.33½-11.41½	11.36½-11.37½	3-1ore pm	2.11	7¾-6¾ pm	2.37
France	9.59-9.65	9.60¾-9.61¾	1¾-¾c pm	1.56	3¾-2¾ pm	1.14
Sweden	9.49½-9.55¼	9.51¼-9.52¼	2ore pm-par	1.26	3½-1½ pm	1.05
Japan	495-503	499½-500½	3.05-2.75y pm	6.96	8.55-8.25 pm	6.72
Austria	30.08-30.28	30.15-30.20	25-15gro pm	8.00	55-45 pm	6.63
Switz.	3.72½-3.76½	3.74¾-3.75¾	4-3c pm	11.21	11½-10½ pm	11.74

Belgian rate is for convertible francs. Financial franc 69.15-69.25c pm
Six-month forward dollar 1.70-1.60c pm, 12-month 3.35-3.25c pm

THE DOLLAR SPOT AND FORWARD

Aug. 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2480-2.2590	2.2520-2.2530	0.50-0.40c pm	2.40	1.03-0.93 pm	1.74
Ireland‡	2.0515-2.0550	2.0520-2.0550	1.10-0.90c pm	5.84	2.80-2.50 pm	5.16
Canada	1.1713-1.1722	1.1719-1.1722	0.09-0.06c pm	0.77	0.10-0.06 pm	0.27
Nethlnd.	2.0080-2.0100	2.0080-2.0100	0.43-0.33c pm	2.27	1.50-1.40 pm	2.89
Belgium	[illegible]	[illegible]	Par-1.5c dis	−0.31	3-1 pm	0.27
Denmark	5.2750-5.2795	5.2760-5.2765	0.90-1.40ore dis	−2.61	3.25-3.75dis	−2.65
W. Ger.	1.8300-1.8322	1.8300-1.8310	0.65-0.55pf pm	3.93	2.24-2.14 pm	4.78
Portugal	49.24-49.35	49.28-49.33	25-35c dis	−7.30	75-115 dis	−7.71
Spain	66.04-66.08	66.04-66.06	70-85c dis	−14.08	265-285 dis	−16.65
Italy	818.05-818.60	818.10-818.50	1.05-1.5lire dis	−1.83	5.60-6.10dis	−2.86
Norway	5.0465-5.0575	5.0465-5.0475	0.50ore pm-par	0.59	1.50-1.00 pm	0.99
France	4.2650-4.2730	4.2650-4.2665	0.24-0.34c dis	−0.81	0.67-0.77dis	−0.67
Sweden	4.2247-4.2270	4.2247-4.2257	0.25-0.45ore dis	−0.99	0.60-0.80dis	−0.66
Japan	221.60-222.10	221.80-222.00	0.90-0.75y pm	4.46	2.85-2.70 pm	5.00
Austria	13.381-13.397	13.387-13.397	5.25-4.75gro pm	4.48	16.75-15.25pm	4.78
Switz	1.6609-1.6645	1.6626-1.6632	1.23-1.18c pm	8.69	4.17-4.12 pm	9.97

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

August 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.578348	0.615640
U.S. $	10½	[illegible]	1.38217
Canadian $	11¾	1.51742	1.61559
Austria Sch	3¾	—	—
Belgian F	9	50.0912	40.5460
Danish K	9	6.85083	7.29090
D Mark	5	2.37689	2.53007
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Nrwgn K	[illegible]	[illegible]	[illegible]
Spanish Pes	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Aug. 29	Bank of England Index	Morgan Guaranty changes %
Sterling	72.1	−33.4
U.S. dollar	85.0	−8.3
Canadian dollar	80.5	−17.3
Austrian schilling	148.3	+19.6
Belgian franc	114.0	+13.1
Danish kroner	113.7	+2.4
Deutsche mark	152.0	+42.4
Swiss franc	197.0	+80.5
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU August 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.4582	40.6364	+2.99	+1.56	±1.53
Danish Krone	7.08592	7.29684	+2.98	+1.54	±1.635
German D-Mark	2.51064	2.53194	+0.85	−0.59	±1.1325
French Franc	5.79831	5.90178	+1.78	+0.35	±1.35
Dutch Guilder	2.72077	2.77754	+2.09	+0.65	±1.5075
Irish Punt	0.662638	0.672814	+1.51	+0.07	±1.665
Italian Lira	1148.15	11.31.21	−1.48	−1.48	±4.0725

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER MARKETS

August 29	£	$			Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]	[illegible]
Australia Dollar	2.0010-2.0050	0.8880-0.8900	Belgium	[illegible]	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]	[illegible]
Luxembourg Frc.	[illegible]	[illegible]	Norway	[illegible]	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Switzerland	[illegible]	[illegible]
Singapore Dollar	[illegible]	[illegible]	United States	[illegible]	[illegible]
Sth. African Rand	[illegible]	[illegible]	Yugoslavia	[illegible]	[illegible]

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

August 29	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.253	4.125	500.0	9.609	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	0.444	1.	1.831	222.0	4.265	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschemark	0.242	0.546	1.	121.2	2.329	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen 1,000	2.000	4.505	8.250	1000.	19.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc 10	1.041	2.346	4.294	520.4	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	0.267	0.601	1.101	133.4	2.564	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	0.221	0.498	0.912	110.6	2.124	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira 1,000	0.543	1.223	2.239	271.4	5.216	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	0.379	0.854	1.565	189.6	3.644	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc 100	1.512	3.406	6.236	755.9	14.52	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 11.70-11.80 per cent; three months 11.95-12.05 per cent; six months 11.95-12.05 per cent; one year 11.70-11.80 per cent.

Aug. 29	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11-13	10-10½	6¾-6¾
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15¼-14½	11¾-11⅞	6¾-7¼
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14¼-15¼	12⅛-12¼	6⅞-7⅛
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16-17	12¼-12¼	6⅞-7⅛
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15¼-16¼	11⅛-11⅜	6⅞-7⅛

Long-term Eurodollar: two years 11⅛-11⅜ per cent; three years 10⅞-11⅛ per cent; four years 10⅞-10⅞ per cent; five years 10⅝-10⅞ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

German rates firmer

European short term interest rates had a firm tendency yesterday, with German money rates rising quite sharply. Although call money eased to 5.90-6.00 per cent from 6.00-6.10 per cent in Frankfurt, one-month rose to 7.05-7.15 per cent from 6.90-7.00 per cent; three-month to 7.40-7.50 per cent from 7.10-7.20 per cent; six-month to 7.60-7.70 per cent from 7.30-7.40 per cent; and 12-month to 7.70-7.75 per cent from 7.50-7.60 per cent. Call money has eased back to the levels seen at the end of last month, after touching 6.95 per cent around the middle of August, but period rates have increased by about ½ per cent during the same time.

AMSTERDAM—Money market conditions are not expected to change substantially in the next week, with no significant tightening of credit anticipated before late September when large corporate payments are expected. Interest rates may firm slightly in the coming week as tax payments fall due, but call money was expected to remain at 8.75 per cent. Day-to-day money was unchanged at 8½-8¾ per cent yesterday, with one-month steady at 9-9¼ per cent; three-month at 9¼-9½ per cent; and six-month at 9½-9¾ per cent.

BRUSSELS—The one-month deposit rate for the Belgian franc rose to 12-12¼ per cent from 11⅞-12⅛ per cent, while three-month was unchanged at 12-12¼ per cent. Six-month funds were quoted at 11½-11¾ per cent compared with 11⅝-11⅞ per cent, with 12-month rising to 10¾-11 per cent from 10⅝-10⅞ per cent.

PARIS—Call money was unchanged once again at 10½ per cent. One-month and three-month were also unchanged at 10⅞-11 per cent and 11⅛-11⅜ per cent respectively. Six-month funds firmed to 11½-11¾ per cent from 11⅛-11⅜ per cent, and 12-month to 11⅛-11⅜ per cent from 11¼-11½ per cent.

HONG KONG—The money market was stable with call money at 13 per cent and overnight at 11½ per cent.

UK MONEY MARKET

Extremely large shortage

Bank of England Minimum Lending Rate 14 per cent (since June 12, 1979)

Day-to-day credit remained in short supply in the London money market yesterday, and the authorities gave extremely large assistance by buying a large amount of Treasury bills from the discount houses, and a small number of local authority bills, and also by lending a large amount to five or six houses, overnight at Bank of England Minimum Lending Rate of 14 per cent.

Repayment was made of the very amount lent to the houses on Monday, and the market was also faced with the unwinding of a large sale and repurchase agreement of bills.

On the other hand banks brought forward moderate surplus balances, there was a small excess of Government disbursements over revenue payments to the Exchequer, and a small decline in the note circulation.

Discount houses paid up to 14 per cent for secured call loans for most of the day, but some closing balances were taken at 13 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Aug. 29 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	14¼-14½	—	—	—	14¼-14¾	13-14	—	—	—
2 days notice	—	—	14¼-14½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14⅛-14⅜	14⅜-14½	—	14⅝	14¼-14⅝	14	—	—	—
One month	14⅜-14⁵⁄₁₆	14⁷⁄₁₆-14⁹⁄₁₆	14⅛-14¼	15-14¾	14⅝	14⅝	13⅞-14	13¹¹⁄₁₆-13¾	—	—
Two months	14⅛-14⁵⁄₁₆	14⅛-14¼	—	14½-14⅜	14½	—	13¾	13⅝	14⅛	14⅛
Three months	14⅛-14	14⅛-14¼	14⅛	13⅞-13½	14½	14⅝	13⅝	13⅝	14⅛-14⁵⁄₁₆	14⅛
Six months	13½-13⅝	13¾-13⅞	13⅝-13¾	13½-13¼	14⅛	—	—	—	13⅞-13⅞	14⅛
Nine months	12⅞-12⅞	12⅞-13⅛	—	13¼-13	13½	—	—	—	12¾	13¾
One year	12⅝-12⅝	12¾-12⅞	12¾-12⅞	12¾-12½	13¼	—	—	—	—	—
Two years	—	—	12¾-12⅞	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. * Long-term local authority mortgage rates nominally three years 12⅝-12⅞ per cent; four years 12⅞-12⅞ per cent; five years 12⅞-12⅞ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13¹⁵⁄₁₆ per cent; four-month trade bills 14 per cent.

Approximate selling rate for one-month Treasury bills 13⅝ per cent; two-month 13⅝-13⅞ per cent; three-month 13⅝ per cent. Approximate rates for one-month bank bills 14⅛ per cent; two-month 14 per cent; and three-month 13⅞ per cent; one-month trade bills 14⅝ per cent; two-month 14⅝ per cent; and three-month 14 per cent.

Finance House Base Rates (published by the Finance Houses Association) 14 per cent from August 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.2275 per cent.

GOLD

Record close

Gold closed at a record \$315¾-\$316¼ in the London bullion market yesterday, a rise of \$1¼ on the day, in fairly active but patchy trading. It opened at \$315-\$315¾, and was fixed at \$314.05 in the morning and \$315.20 in the afternoon, touching a best level of \$316¼-\$317.

	Aug. 29	Aug. 28
Gold Bullion (fine ounce)		
Close	\$315¾-316¼ (£140-140.35)	\$314½-315¼ (£139.7-140.06)
Opening	\$315-315¾ (£140.1-141.45)	\$316-316¾ (£141-141.35)
Morning fixing	\$314.05 (£139.652)	\$316.20 (£140.796)
Afternoon fixing	\$315.20 (£139.909)	\$316.75 (£140.559)
Gold Coins, domestically		
Krugerrand	\$325-327 (£144-145)	\$325¼-327¼ (£144¼-145¼)
New Sovereigns	\$81-83 (£36-37)	\$81½-83½ (£36¼-37¼)
Old Sovereigns	\$116-118 (£51½-52½)	\$116½-118½ (£51¾-52¾)
Gold Coins, internationally		
Krugerrand	\$325-327 (£144-145)	\$325¼-327¼ (£144¼-145¼)
New Sovereigns	\$81-83 (£36-37)	\$81½-83½ (£36¼-37¼)
Old Sovereigns	\$116-118 (£51½-52½)	\$116½-118½ (£51¾-52¾)
\$20 Eagles	\$449-454	\$442-447
\$10 Eagles	\$255-260	\$248-253
\$5 Eagles	\$210-215	\$203-208

In Paris the 12½ kilo gold bar was fixed at FFr 45,550 per kilo (\$331.88 per ounce) in the afternoon, compared with FFr 45,550 (\$331.78) in the morning, and FFr 45,700 (\$332.80) Tuesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 18,605 per kilo (\$316.92 per ounce), compared with DM 18,610 (\$316.21) previously.

MONEY RATES

NEW YORK	
Prime Rate	12.25
Fed Funds	11.3125
Treasury Bills (13-week)	9.76
Treasury Bills (26-week)	[illegible]
Prime Rate	[illegible]
GERMANY	
Discount Rate	[illegible]
Overnight Rate	[illegible]
One month	[illegible]
Three months	[illegible]
Six months	[illegible]
FRANCE	
Discount Rate	[illegible]
Overnight Rate	[illegible]
One month	[illegible]
Three months	[illegible]
Six months	[illegible]
JAPAN	
Discount Rate	[illegible]
Call (Unconditional)	[illegible]
Bills Discount (three-month)	[illegible]

BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

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Our clients are planning a 50,000 sq.ft. warehouse and office complex to provide specialised storage and distribution facilities for up to five principals, tailored to the needs of each. Office accommodation will be available together with a range of management, marketing, financial, shipping and administration services. Some processing, packaging, assembly or technical operations will be possible.

We are seeking companies interested in this concept as a means of servicing more efficiently their existing distribution channels in the Region or those who are unable to find suitable service from the traditional agencies, perhaps due to complex handling requirements of their products or special demands of their market. It is felt that the concept would be particularly attractive to manufacturers of industrial, automotive or marine equipment, components and supplies, engineering products or electronics, but anything will be considered. Substantial finance is available if required, and joint venture participation is a possibility.

Interested principals should contact Richard Taylor at the address below—

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The required companies should have vast experience in one or more of the above mentioned industries.

The required company or companies may be ready to collaborate on a joint venture basis or other reasonable terms for running and maintenance of one or more of the above mentioned industrial units.

The interested companies are kindly requested to send detailed information about the company and its prequalification to the following addresses. Engineer A. M. Helmy, Stratton Park House, Stratton Park, Micheldever, Winchester Hants, telephone 591 Micheldever (096289), and complete copy to Safa Construction Company, P.O. Box 304, Jeddah, Saudi Arabia.

The required information should be sent within one week from the date of advertisement. Promising companies will be contacted to fix place and date of meeting for detailed discussion.

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A Saudi Construction Contractor needs about 200,000 square metres of cement pavement tiles 6 cms. thickness, size 49 cms. x 79 cms. and 59 cms. x 49 cms. European manufacturers or Mediterranean manufacturers are invited to send their best export prices cif Jeddah, Saudi Arabia, and the shortest delivery time. The specifications of the tiles are also to be mentioned. *The offer should be sent to the following address:*

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Stratton Park House, Stratton Park,
Micheldever, Winchester, Hants., England.
(Telephone 096289 591) (Micheldever 591)

A copy of the quotation should be sent to:
Safa Company, P.O. Box 304, Jeddah, Saudi Arabia.

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CO. RECENTLY trading in removable covers for Rotary Clothes Lines—protects washing from rain. Assets include patents UK & W. Germany, stocks, research. Lack of time forces sale. £5,000. Write Box G.4442, Financial Times, 10, Cannon Street, EC4P 4BY.

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Telex: 885033. Telephone: 01-248 5161.

APPOINTMENTS

New chairman for Fertleman Group

Mr. John Swanborough has been appointed chairman of the FERTLEMAN GROUP. He has spent 20 years in the rubber industry, and also served on Boards of other companies in transport, the warehouse industry, suppliers of technical components, and in the high power cable industry. The Fertleman Group is a public company which produces reproduction and contemporary furniture.

Mr. John Swanborough

Mr. R. P. Roberts, chairman and managing director of T. T. PASCOE retires on March 31. The appointments take effect on September 4: Mr. J. L. T. Piercey, as managing director of T. T. Pascoe, and Mr. G. P. Welchman as chairman and managing director of Jones, Heard and Co., Pascoe-Houlder, Rogers and Bright (South Wales), Heard and Co. (Cardiff) and chairman of Rogers and Bright (Air Freight). Mr. Piercey and Mr. Welchman will retain the other appointments they hold within the Pascoe Group.

At SWISS REINSURANCE COMPANY (UK), Mr. C. E. Geiser has been appointed managing director; Mr. B. K. Doody and Mr. P. J. Turvey become assistant general managers; Mr. G. Wilkinson, financial controller; Mr. J. Henderson and Mr. J. R. Lavers, managers; and Mr. K. Selby, deputy manager. The paid-up capital of the PALATINE INSURANCE COMPANY has been increased to £2m and its Board reconstituted. Mr. Geiser becomes chairman; Mr. D. W. Hinde, managing director; Mr. J. C. Roos and Mr. Wilkinson, directors.

BANCOMER S.A., formerly Banco de Comercio, Mexico, has appointed Mr. Volker Mergenthaler as vice-president and general manager, Mr. Brian J. Stanborough as operations manager, and Mr. Robert Barnett as chief dealer of the London branch.

The Ministry of Defence has made the following appointments and promotion in the rank of Major General: Brigadier J. P. Groom—HQ BAOR as Chief Engineer, November; Brigadier E. J. Hellier—UKLF as Major General Administration, November; Brigadier G. H. W. Howlett—1st Armoured Division as GOC, November; Brigadier R. Staveley—MOD as Chief of Staff LE (A), September; Major-General M. J. Tomlinson—MOD as Vice Adjutant General, October 1979.

Mr. M. J. Resnick has been appointed a director and chairman of the Board of FEDERATED INSURANCE COMPANY, in succession to Mr. Goodwin L. Clark, who has returned to the U.S.

Mr. James Brown, managing director of British Fuel Company, has been appointed to the Board of AAH. He joined the AAH group in March, 1966.

Mr. Christopher G. F. Harding has joined the Board of HANSON TRUST as a non-executive director.

Mr. Terry Malin has been appointed managing director of JACKSON BROS. (MILTON), part of the Moss Engineering Group.

COSSOR ELECTRONICS has appointed Mr. John Pitcher as senior sales engineer for fibre-optic systems. The appointment follows work that has been undertaken jointly with Sterling Cables, a sister company within the A. C. Cossor Group, and reflects the growing interests of both companies in the field. Mr. Pitcher joins Cossor from the fibre-optic component company, Fibre Link, Blackheath.

Mr. Leslie Potts, group marketing director, has retired from executive duties after 38 years with the TWIL GROUP.

Mr. Christopher Bennett, formerly deputy chief manager, foreign exchange dealers of BARCLAYS, head office foreign exchange centre, has been appointed chief manager.

Mr. G. S. Poloas has resigned his directorship of HARRIS QUEENSWAY GROUP with effect from August 31. Mr. A. Behar, managing director of Hardy and Co. Furnishers, and Mr. L. A. Davies, managing director of Harris Home Care Centres, will join the board of Harris Queensway Group on September 1.

Mr. Arthur C. Hull, who was appointed manager and secretary of the INSTITUTE OF LONDON UNDERWRITERS in 1963, is to retire on October 31. He will be succeeded by Mr. Bernard D. Curtis. Mr. G. De'Ath and Mr. M. L. Marshall have been appointed assistant secretaries of the Institute.

CONTRACTS

£5m reconstruction of M5 motorway

Reconstruction of the M5 motorway from Whittington to High Green, south of Worcester, is to be undertaken by AMEY ROADSTONE CONSTRUCTION for the Department of Transport. Worth £5m, the contract covers 7½ km of dual two-lane motorway and hardshoulders, and involves the manufacture and laying of some 150,000 tonnes of "black top" materials, as well as ancillary works such as drainage and road markings.

Contracts worth about £4m have been awarded to companies in the LONDON AND NORTHERN GROUP. These include a road contract at Newton Abbey, Belfast, to be carried out by W. and J. Taggart (Northern Ireland) for the Department of the Environment, and building works for Durham C.C. and Three Rivers Housing Association awarded to G. W. Lazenby and Co., and Wilsons (Spennymoor), respectively.

M. L. AVIATION (subsidiary of M. L. Holdings) has won an order worth over £1.5m from British Aerospace for the supply of weapon carriage and release equipment for use with Jaguar aircraft being built for export.

Under a contract worth £1.3m, the LINFORD BUILDING GROUP is carrying out extensions to Glascote Comprehensive School, Tamworth, for Staffordshire County Council, including a main single-storey teaching block of 3,536 square metres floor area, together with a lecture hall and sports hall totalling 1,279 square metres.

A £630,000 order for process control equipment for the People's Republic of China has been awarded to TAYLOR INSTRUMENT (division of Sybron Corporation), Stevenage. The order has been placed by Davy International (Oil and Chemicals), London, the contractor for two oxo alcohol plants (a basic unit in a pro-chemical process chain) and a synthesis gas plant in the provinces of Techine and Shantung.

SPL INDUSTRIAL DIVISION, computer consultants, has been awarded a £500,000 contract by Ingersoll Engineering Projects, Rugby, one of the managing agents for BL's Land-Rover and Range Rover expansion programme. This contract is for the computer system to control an automated warehouse for Land-Rover at Solihull.

Four coal fired boilers, worth nearly £250,000 are being supplied by DANKS OF NETHERTON to British Rail Engineering for space heating at the railway workshops at Wolverton.

Work has started on a 5,000 square feet advance factory for the Development Commission at Tebay, Cumbria. The contract, worth about £128,000, has been awarded to THOMAS MILBURN, Whitehaven.

Newsweek International, weekly news magazine, has placed a contract, worth over £100,000 per annum, with COMPUTEL, Bracknell, for a total data processing service for the Slough office. This office is responsible for the distribution and control of the Atlantic edition of Newsweek and covers Europe, Africa and the Middle East. The contract will initially run for one year.

C. AND R. CONSTRUCTION, Bradford, is supplying £100,000 worth of portable buildings for use in the Zambezia region of Mozambique. The order is for six bed-sit and two toilet units, including all furniture and fittings.

The British and Norwegian armies have ordered mobile 10 KVA diesel-driven generator systems worth over £500,000 from PLESSEY AEROSPACE.

MARCONI COMMUNICATIONS SYSTEMS (a GEC-Marconi company), has an order from the Ministry of Defence for the supply of 26 radio communication transmitters from the MFT range, valued at around £500,000.

ABBEY ELECTRONICS (a Stone-Platt company) is supplying wheelslide/slip equipment worth £316,000 to British Rail. The system prevents wheels slipping on the rails when accelerating, or sliding during braking.

SIDERBRAS, Brazil's state steel agency, will spend Cr 150bn (£2.5bn) in 1980 on current operations, expansion of premises and new equipment for companies like CSN (National Steel Company Rio de Janeiro State) and Cosipa (Sao Paulo Steel Company) and construction work on the trinational Tubarao steel works which Siderbras will share with Finsider of Italy and Kawasaki Steel of Japan. The funds will come from the Brazilian Government, the World Bank, private foreign banks and proceeds from VAT, according to the president of Siderbras, Sr. Henrique Cavalcanti. The large 1980 budget reflects the priority for consolidation of Brazil's basic industries.

Profit-taking puts midway check on Wall St.

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—28¼% (27½%)

Effective $2.2525 11⅛% (10⁷⁄₁₆%)

THE MARKET pulled back in active trading as profit taking maintained a check at mid-session.

The Dow Jones Industrial Average lost 2 points, and declines led advances 7 to 5 on turnover of 14m shares.

Closing prices and market reports were not available for this edition.

Analysts said the soft tone of the dollar, together with rising gold prices, contributed to the weakness. They added that, considering the high level of the Bank Prime Rate, the market was holding up well.

The 0.4 per cent fall in the July Index of Leading Economic Indicators was expected. While the decline was not great, it was the second consecutive monthly fall, confirming that the economy is in a recession.

Superior Oil was a prominent casualty, sliding 5 points to 493. Canadian Superior lost 1 to 131 on the American Exchange.

NCR lost $3¼ to $77¾, Texas Instruments $⅞ to $95⅝, UAL $⅝ to $27½, Boeing $½ to $46, and U.S. Steel $¼ to $22⅞.

National Steel up $¾ to $35⅛. It announced tin mill price increases with effect from October 1, after similar moves by its competitors.

Playboy rose $1 to $19⅞. It plans to acquire **Norwich Enterprises of London** for an undisclosed cash figure. Norwich runs casinos and offtrack betting shops. **Caesars World** added $⅜ to $25⅞. It will acquire a hotel/casino at Lake Tahoe, Nevada.

Bank of New York rose $2⅛ to $38¼. **Penncorp Financial** topped the active list, rising $⅛ to $10⅜. **Kaufman and Broad** added $1⅛ to $13⅞.

American Stock Exchange prices declined in active trading. The index eased 0.71 to 215.74 on turnover of 2.67m shares.

Volume leader **Dome Petroleum** *slipped $⅞ to $35⅞. Numac Oil $1⅛* to $35⅛ and **Houston Oil** $½ to $21⅞.

Canada

The market was fractionally higher in active trading as Oil and Gas issues continued to retreat. The Toronto Composite Index rose 0.6 to 1,679.5, and gains outnumbered losses 198 to 133.

Dome Petroleum, the most active issue on 158,025 shares, fell C$1½ to C$40⅞. **Aquitaine Canada** lost C$1½ to C$39⅞, **Imperial Oil "A"** C$¼ to C$39¼, **BP Canada** C$⅞ to C$34¼ and **Hudson's Bay Oil** C$⅞ to C$82⅞. Golds continued higher as Campbell Red Lake rose C$⅞ to C$25, **Dome Mines** C$½ to C$46¾ and *Dickenson Mines $⅛ to C$9.*

Volume was 3,608,720 shares, compared with 3,156,810 in the previous session.

In Montreal, share prices turned mixed in moderately actve trading. Bank issues were higher, with **Toronto Dominion** and **Royal** gaining C$⅛ to C$26⅛ and C$46½, while **Bank of Nova Scotia** gained C$⅛ to C$25⅛ and **Canadian Imperial** C$⅛ to C$27.

Integrated Mines remained firm as **Falconbridge Nickel "A"** at C$68⅛ and **Alcan Aluminium** at C$46 rose C$⅛, while **Hudson Bay Mining** added C$1 to C$25⅛.

Volume was 228,835 shares, compared with 254,139 on Tuesday.

Australia

The market closed very firm with continued interest in Speculatives. There has been some profit-taking on the gains this week.

Major buying support was from local institutions and investors. The level of activity is expected to continue, with increased overseas buying.

Market leader **BHP** firmed 5 cents to A$10.05 in early trading, but eased to close at A$9.96—a loss of 2 cents on the day. Oil sentiment is behind its current support, with the rumour of an oil find.

Major coal producer **Utah** eased 15 cents to A$3.85 after reporting a drop in first-half profits.

Major miners were generally firm, with **MIM** up 5 cents to A$3.70, **BH South** up 6 to A$2.08, **North BH** up 6 to A$2.05 and **Consolidated Gold Fields** up 20 to A$4.25.

Germany

Leading shares closed higher after quiet trading on average turnover with some issues rising several marks on selective institutional buying.

One of these was **KHD**, which added DM 3.90, while **GHH** and **Linde** each gained DM 2. **Deutsche** led Banks up DM 2.90. In Autos, **VW** gained DM 2.30, **Daimler** DM 1 and **BMW** was unchanged.

Chemicals firmed and in Electricals **Siemens** rose DM 1.50.

Paris

Share prices continued their recent upward trend in active trading, as strong buying demand met limited selling.

Most sectors were firmer. Constructions and Public Works rose on the Government's economy boosting measures announced during the day. Engineerings and Electricals also gained.

Food and Oil shares were well supported, while Cars were narrowly mixed.

Pechiney Ugine Kuhlmann, which on Tuesday announced it had sold most of its 7.6 per cent stake in Rhone-Poulenc on the Bourse, fell Fr.1.60 to Fr.95.50, while **Rhone-Poulenc** rose Fr.3.90 to Fr.134.

Tokyo

Share prices closed higher in active trading with selective buying in Leaders more than offsetting profit taking in Big-capitals.

The market average rose 9.79 to close at 6,445.42, with volume 400m shares. The Tokyo Stock Exchange Index closed at 453.46, unchanged from the previous day.

Constructions, Chemicals, Machines, Vehicles and some Electricals firmed, helped by reports of an anticipated increase in Japanese capital outlays this year and a recent recovery of Japanese vehicle exports.

Sharp Corporation rose Y7 to Y495 on good earning prospects, followed by **Matushita Communication** up Y50 to Y1,880 and *Sanyo Electric up Y4 to Y361.* Other rises include **Isuzu Motor** up Y17 to Y317, **Toyo Kogyo** Y13 to Y480 and **Wakachiku Construction** Y9 to Y247.

Recently-selected Oils, Shipbuildings, Heavy Electricals and Shipping Lines fell on profit-taking.

Hong Kong

Stock prices closed firmer across the board, led by local buying interest in property shares. The Hang Seng Index rose 5.38 to 580.88.

HK Land rose 15 cents to HK$8.60, **Cheung Kong** 40 cents to HK$13.20, **SHK Properties** 40 cents to HK$10.80, **HK Hotels** 30 cents to HK$18.50 and **Swire Properties** 15 cents to HK$3.95.

Among the leaders, **HK Wharf** rose 50 cents to HK$35.50, **Swire Pacific "A"** 25 cents to HK$8.15, **Hutchison Whampoa** 12.5 cents to HK$5.00, **Jardine Matheson** and **HK Bank** 10 cents each to HK$ 11.00 and HK$13.70, **Wheelock "A"** 7.5 cents to HK$3.38 and **HK Electric** 5 cents to HK$4.60.

Market fears of a possible increase in local prime rates has subsided.

Johannesburg

Gold shares remained below Tuesday's highs, but recovered some ground in late trading on reduced turnover.

Milan

The market closed irregularly higher in moderate trading after the previous day's falls.

Among leading Industrials, **Fiat, Pirelli E.C., Olivetti Ord.**, and **Snia Viscosa** all gained. But **Anic, Montedison, Pirelli Spa** and *Olivetti PRI* were slightly lower. In Financials, **Bastogi IRBS** and **Centrale** both gained.

Caribbean air link aid sought

By Tony Cozler in Barbados

A GROUP of Dutch aviation officials is to carry out a study into operations of the Caribbean regional airline Liat, which airline officials hope will lead to appreciable financial assistance from the European Economic Community.

The Council of Ministers of the Caribbean Community, Caricom has placed Liat on the list of regional institutions eligible for funds earmarked for the area from the EEC.

The Dutch consultants would determine whether the 6.2m units of account for which the airline is eligible would be granted.

Mr. Ian Archer, the airline's general manager, said Liat needed at least one new aircraft to supplement its current fleet of 48-seater Avro 748s and smaller Britten-Norman Islanders.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax.
♥ Pts 500 denom. unless otherwise stated.
♣ DKr 100 denom. unless otherwise stated.
Φ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. $ Price at time of suspension. *a* Florins. *b* Schillings. *c* Cents. *d* Dividend after pending rights and/or scrip issue. *e* Per share. *f* Francs. *g* Gross div. % *h* Assumed dividend after scrip and/or rights issue. *k* After local taxes. *m* % tax free. *n* Francs including Unilac div. *p* Nom. *q* Share split. *s* Div. and yield exclude special payment. *t* Indicated div. *u* Unofficial trading. *v* Minority holders only. *y* Merger pending. * Asked. † Bid. § Trade. ‡ Seller. *z* Assumed. *xr* Ex rights. *xd* Ex dividend. *xc* Ex scrip issue. *xa* Ex all. Δ Interim since increased.

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Bank Ltd.	14 %
Amro Bank	14 %
American Express Bk.	14 %
Henry Ansbacher	14 %
A P Bank Ltd.	14 %
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
Bank of Credit & Cmce.	14 %
Bank of Cyprus	14 %
Bank of N.S.W.	14 %
Banque Belge Ltd.	14 %
Banque du Rhone et de la Tamise S.A.	14½ %
Barclays Bank	14 %
Bremar Holdings Ltd.	15 %
Brit. Bank of Mid East	14 %
■ Brown Shipley	14 %
Canada Perm't Trust	14 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons	14 %
C. E. Coates	14 %
Consolidated Credits	14 %
Co-operative Bank	*14 %
Corinthian Secs.	14 %
Credit Lyonnais	14 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	14 %
Eagil Trust	14 %
English T[illegible]scont.	14 %
First Nat. [illegible]n. Corp.	15[illegible] %
First Nat. [illegible]es. Ltd.	15½ %
■ Antony G[illegible]	14 %
Greyhound Guaranty	14 %
Grindlays Bank	‡14 %
■ Guinness M[illegible]hon	14 %
■ Hambros Bank	14 %
■ Hill Samuel	§14 %
C. Hoare & Co.	†14 %
Julian S. Hodge	15 %
Hongkong & Shanghai	14 %
Industrial Bk. of Scot.	14½ %
Keyser Ullmann	14 %
Knowsley & Co. Ltd.	15½ %
Lloyds Bank	14 %
London Mercantile	14 %
Edward Manson & Co.	15 %
Midland Bank	14 %
■ Samuel Montagu	14 %
■ Morgan Grenfell	14 %
National Westminster	14 %
Norwich General Trust	14 %
P. S. Refson & Co.	14 %
Rossminster	14 %
Ryl. Bk. Canada (Ldn.)	14 %
Schlesinger Limited	14 %
E. S. Schwab	15 %
Security Trust Co. Ltd.	15 %
Shenley Trust	16 %
Standard Chartered	14 %
Trade Dev. Bank	14 %
Trustee Savings Bank	14 %
Twentieth Century Bk.	15 %
United Bank of Kuwait	14 %
Whiteaway Laidlaw	14½ %
Williams & Glyn's	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000, 12% and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

New credit scheme for farmers

By Our Commodities Staff

FARMERS WILL soon be able to buy a wide range of essential goods and services with the help of a new credit scheme introduced by the Midland Bank and operated through a countrywide network of agricultural merchants.

Loans of £500 to £10,000, repayable over 18 months, will be available for goods such as fertilisers, chemicals, fuel and seed. Ploughing and other work by contractors can also be paid for under the scheme.

The loans, which will be processed within seven days of application, are available to all farmers whether they bank with the Midland or elsewhere.

They can be paid back regularly each month or on a delayed payment basis to coincide with the applicant's seasonal cash flow.

For regular payments, the current annual interest rate is 9 per cent (effective annual rate for 18 months is 17.7 per cent). For delayed payments, interest is calculated on the outstanding daily balance at a rate of 3 per cent over the bank's base rate currently 14 per cent.

A spokesman said the scheme had been introduced following the success of similar projects covering purchases of fertiliser. The bad debt record with existing schemes was "practically nil," he said.

Farm workers earn 14% more

By Our Commodities Staff

AVERAGE WAGES of hired workers on British farms rose by 14 per cent in the year to last March. A Ministry of Agriculture survey shows that farm workers earned an average £66.25 for a 44.6-hour week in the first quarter of this year, compared with £58.08 for 44.3 hours in the same quarter of 1978.

Dairy herdsmen's average wages rose 17 per cent to £86.06 for a 53.3-hour week and tractor drivers' rose 17.5 per cent to £64.73 a week.

Farm foremen's wages rose 14 per cent to £17.16 a week and general farm workers' 11.5 per cent to £60.55. Horticultural workers brought up the rear with a 7.5 per cent increase to £59.78.

W. German production cut boosts zinc market

BY JOHN EDWARDS, COMMODITIES EDITOR

THE WEST GERMAN zinc producer, Preussag, announced yesterday it was cutting output at two of its main production plants by 15 per cent. The cutback follows a renewed build-up in European zinc stocks as a result of production running ahead of demand.

Last month Preussag led a reduction in the European producer price from $845 to $780 a tonne because of weak demand. But discounting of the lower price has continued in the highly competitive West German market, and Preussag has evidently decided it is better to attack the cause of the problem by cutting output.

Latest figures from the International Lead and Zinc Study Group show that European zinc metal output in the first half of 1979 jumped by 12 per cent on a year ago to 932,000 tonnes.

West Germany, as the biggest European zinc market, is the most competitive. Preussag is one of the leading producers, with an annual capacity of around 220,000 tonnes. But the company has not been too specific about production cuts.

Nevertheless, the immediate reaction on the London Metal Exchange zinc market was for prices to rise, reversing the recent decline reflecting the surplus situation. Cash zinc rose by £7.5 to £296 a tonne.

The rise in zinc yesterday was encouraged by an upsurge in copper. Cash wirebars jumped by £26.5 to £931 a tonne.

A higher opening on the New York copper market triggered off further buying interest in London. The upward trend was accelerated by stop-loss purchases to cancel previous sales and heavy "borrowing" (buying cash and selling forward).

The result was a significant widening in the premium of the cash price for wirebars to £7.5 above the three months quotation, which gained £20.25 to £913.5.

Other metals followed the rise in copper. Silver was also ecouraged by the rally in gold during the afternoon and traded at a new peak. On the London bullion market, the spot quotation was lifted by 5.45p to 448.2p an ounce at the morning fixing and in later trading closed at a record 449.85p.

Potato prices attract imports

BY CHRISTOPHER PARKES

BELGIAN and Dutch suppliers have captured about 25 per cent of the British market for processing potatoes since the collection of figures began at the start of August.

The Potato Marketing Board said yesterday that since August 1 high prices in the UK had attracted 6,500 tonnes of potatoes from Belgium and about 1,000 tonnes from Holland. The trade was beginning to slow down a little, however.

Potatoes fetching £30 a tonne in Belgium have been selling in Britain at close to £70. "Even allowing £25 a tonne for transport the trade is still attractive," the board commented.

Last week about 7.5 per cent of all British potato liftings were going to factories for chips, crisps and other processed products. At the same time last year the proportion was 9 per cent.

A board spokesman said some gains for overseas buyers had been expected following the lifting of a national ban on imports of maincrop potatoes after a ruling from the European Court of Justice last season.

The court said that even though potatoes were not covered by the Common Agricultural Policy trade had to be allowed unhindered under the provisions governing the free movement of goods in the treaty which binds the Community.

The extent to which imports penetrate the UK market depends largely on price relationships between Britain and the Continent. Little impact is expected in the main market for raw potatoes. Traditional British tastes call for more "floury" potatoes for domestic use, but processors favour the more "waxy" types grown in Europe.

The recent good weather in Britain—rain to bulk up the crops followed by good harvesting weather—has boosted the quantity of potatoes reaching the market.

Prices have fallen as a result. Last week an estimated 70,000 tonnes were lifted, compared with the 80,000 tonnes considered normal weekly supplies in winter.

Producers in the Eastern counties are still managing to get up to £77 a tonne for top quality supplies but the national average is closer to £60. The Potato Board warned yesterday that although supply and demand were generally in balance, markets in Scotland were over-supplied.

Malaysian exchange plan

BY OUR OWN CORRESPONDENT

A COMMODITY exchange is to be set up in Kuala Lumpur early next year.

Mr. Paul Leong, the Malaysian Primary Industries Minister, said he would present the necessary legislation for Parliamentary approval in October.

He also announced the appointment of Mr. Lew Sip Hon, deputy Trade and Industry Minister, and a former chairman of the Rubber Exchange, as chairman of the Interim Commodities Trading Council.

The interim council will advise the Minister on policies and management of the commodity exchange, and when finally established, the council will also be responsible for enforcing the provisions governing the exchange.

Palm oil futures will be the first commodity to be traded on the proposed exchange, followed by rubber and tin futures.

Mr. Leong stressed that the Government did not want to impose a drastic change on the present marketing system (there is a rubber exchange in Kuala Lumpur and a physical tin market in Penang) and relevant committees would look into the problems associated with the merger.

New rise in sugar estimate

By Our Commodities Staff

WORLD SUGAR stocks are expected to rise to 31.27m tonnes at the end of the 1978/1979 season compared with 30.05m at the start of the season, sugar statistician F. O. Licht said in Ratzeburg yesterday.

This was Licht's fourth estimate of the current crop situation. In his third, he put ending stocks at 31.03m tonnes.

He estimated consumption during the 1978/79 season at 89.96m tonnes, up from 85.93m last year. Production is expected to rise to 91.57m tonnes from 91.31m in 1977/1978.

Meanwhile, the International Sugar Organisation reported that Cuban sugar exports rose to 3.61m tonnes in the first four months of 1979 from 3.34m in the same period in 1978.

Cuban exports to the Soviet Union at the end of April stood at 2.45m tonnes against 2.4m at the same time last year, while exports to China rose marginally to 166,164 from 156,916 tonnes.

U.S. beef price probe demanded

WASHINGTON — Congressman Benjamin Rosenthal (Democrat, New York) has called for an investigation into allegations that U.S. beef prices have been manipulated by several major beef packers and commodity futures speculators.

Mr. Rosenthal, chairman of the House Commerce, Consumer and Monetary Affairs sub-committee, sent telegrams to the Federal Trade Commission, Commodity Futures Trading Commission, the Departments of Justice and Agriculture, the Council on Wage and Price Stability and the Securities and Exchange Commission calling for action to determine any violation of criminal and civil laws.

Mr. Rosenthal said consumer groups and sources inside the industry had told him the "yellow sheet," a private wholesale price listing, was pushed to an artificial low in early August.

Reuter

GRAINS

Drought dims Indian crop prospects

BY K. K. SHARMA IN NEW DELHI

SEVERE DROUGHT in many parts of India has dimmed agricultural production prospects for the "kharif" (summer) crop season and it now seems certain that grains output in 1979-80 will be well below last year's record of 130m tonnes.

The kharif crop is linked directly to the monsoon which has been deficient in nearly 70 per cent of the country. Irrigation potential has increased remarkably in the last few years and it is hoped to add another 17m hectares under assured irrigation by 1982. But for the present, dependence on the monsoon remains.

However, due to increased use of modern methods of farming like fertilisers, high-yielding varieties of seeds and mechanisation of operations, the drop in production is not expected to be as high as previous drought years where output has fallen by as much as 20 per cent. Hopes are that production will not fall by more than 5m or 6m tonnes.

Kharif operations began on a bad note when, earlier in the season, sowing was hampered in many parts of the country because of the long delay in the arrival of the monsoon. Thereafter germination of seedlings was affected by the lack of rain.

Reports from many states say standing crops are withering because of continued lack of rain. This has aggravated the production problem since this year there is believed to have been a shrinkage in the area under major kharif grain crops because of inadequate rain and power cuts that made irrigation through tubewells erratic.

Production is expected to be well below 130m tonnes, compared to the target of 131m tonnes for 1979-80. This is because a bad monsoon also affects the "rab" (winter) crop due to the drop in reservoir levels in hydro-electric projects and the lowering of ground-water levels.

However, unlike previous drought years, India is not threatened with a food shortage and there will be no scarmble for panicky purchases from world markets as grain stocks are now at a record level of more than 22m tonnes following a series of four good monsoon years. But if production drops sharply the stocks could also dwindle—although they are unlikely to be exhausted.

The lowering of foodgrains stocks is not undesirable. Insufficient storage facilities means about 20 per cent of the stocks are in bags and under polythene in the open and hence open to damage.

Attempts to lower stocks have been made through small amounts of exports to Vietnam and Russia and programmes where workers at irrigation and development projects are paid partly in grain.

From June 1 to August 22 monsoon rainfall has been deficient in as many as 15 metrological subdivisions compared to just one subdivision in 1978. The Agriculture Ministry is still hopeful that some of the threatened crops can be saved if September rains are normal.

To save the rabi crop, the Ministry has suggested states adopt a national minimum yield guarantee project for rice, wheat, pulses and oilseeds. This would involve identification of compact areas where integrated efforts could be initiated to assist farmers to achieve specific yields.

The project will also involve assessment of credit needs and the development of a tie-up between credit supply and input availability.

Among the commercial crops affected by the lack of monsoon rain are jute and groundnut. This is expected to hit jute mills in the coming season and further aggravate the shortage of edible oils.

Concern over Kenyan wheat

BY OUR NAIROBI CORRESPONDENT

THERE IS considerable concern in Kenya about dwindling wheat production, while demand is rising.

In 1975 Kenya produced about 1.9m bags, against consumption of 2.2m bags. In 1978 production plunged to 1.3m bags, while consumption rose to 2.5m bags.

Official forecasts for the 1979-1980 season suggest Kenya may produce only about 1m bags and demand may exceed 3m.

Although maize is the staple grain in Kenya, the public consumption of bread is rising and baking consumes about 22,000 tons of wheat a month.

One reason given for decreasing production is the abolition of the guaranteed minimum return (GMR) system. The Government, until recently, guaranteed farmers a certain minimum return on every acre of land they planted with an essential crop.

It gave the Government power to influence what crops were grown, protected farmers from market whims and enabled them to secure loans for the preparation of land, planting of seed, application of chemicals and fertilisers and harvesting. The system was withdrawn to save money.

The abolition of GMR is likely to cut wheat output by about 500,000 bags, according to the Kenya National Farmers Union, which is demanding its return.

Last year Kenya imported 90,000 tons of wheat, compared with 33,000 tons in 1977.

The Government is reluctant to spend more scarce foreign exchange on importing wheat, and equally reluctant to apply for food aid. It is exploring a barter arrangement whereby Kenya will give some of its surplus maize for wheat.

Experiments in making bread from a mixture of maize flour and wheat flour by the Guinness Peat Group have been promising and negotiations are going on to move into commercial production. But this is a long-term scheme.

If the situation gets worse the Government may have to ensure against serious shortages by applying to aid donors such as the EEC, the U.S., Australia and World Food Programme.

BRITISH COMMODITY MARKETS

BASE METALS

[illegible]

Turnover: 18,725 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	905-6	+3.25	920-2	+26.5
3 months	898-9	—1	913-4	+20¼
Settlem't	905	+5.5	—	......
Cathodes				
Cash	862-4	—2.5	873-5	+16.5
3 months	878-80	—3	888-90	+16.5
Settlem't	864	—2	—	......
U.S. Smt.	—	......	*84-87¼	......

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6665-70	+82.5	6705-10	+85
3 months	6685-700	+52.5	6715-30	+65
Settlem't	6670	+80	—	......
Standard				
Cash	6665-70	+82.5	6705-10	+85
3 months	6675-80	+52.5	6705-10	+72.5
Settlem't	6670	+80	—	......
Straits E.	$1896	+15	—	......
NewYork	—	......	—	......

[illegible]

COMPANY NOTICES

LEAD

[illegible]

ZINC

[illegible]

ALUMINIUM

[illegible]

NICKEL

[illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

COTTON

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

MEAT/VEGETABLES

[illegible]

AMERICAN MARKETS

NEW YORK, August 29.

[illegible]

EUROPEAN MARKETS

ROTTERDAM, August 29

[illegible] Winter wheat, ordinary, unquoted. U.S. No. 2 Red Winter wheat Sept. $19?, Oct. $197, Nov. $197. U.S. No. 2 Northern Spring wheat 14 per cent, Aug. $198.50, Oct. $200, Nov. $20?, Dec. $210, Jan. $21?, Feb. $220, March $2?? April/May $203.

Maize—U.S. No. 3 Corn Yellow afloat $137.50, Sept. $137, Oct. $130, Nov. $140, Dec. $144, Jan./March $149.60, April/June $150.50.

Soyabeans—U.S. Two Yellow Gulfports Aug. $298, Sept. $300, Oct. [illegible]

Soyameal—44 per cent protein, U.S. afloat $227, traded afloat $228, Sept. $233, Oct. $240, Nov./March $245.50, April/Sept. $250. Brazil Pellets afloat $?74.50, Sept. $240 traded, afloat $236, Sept. $2?1, Oct. $251, Nov. $258, Dec. $259, April/Sept. 258.

PARIS, August 29

SUGAR—(FFr per 100 kg). Oct. 1,090-1,095, Nov. 1,095-1,100, Dec. 1,116-1,118, March 1,181-1,183, May 1,216-1,218, July 1,230-1,235, Aug. 1,235-1,255, Oct. 1,255-1,275. Sales at call: nil.

INDICES

FINANCIAL TIMES

Aug. 28	Aug. 24	M'nth ago	Year ago
286.28	287.17	278.92	247.06

(Base: July 1, 1952=100)

MOODY'S

Aug. 28	Aug. 24	M'nth ago	Year ago
1097.2	1093.9	1059.2	937.9

(December 31, 1931=100)

DOW JONES

Dow Jones	Aug. 28	Aug. 24	Month ago	Year ago
Spot	403.21	405.15	398.99	370.97
F'tur's	412.60	414.64	404.32	365.89

(Average 1924-25-26=100)

REUTERS

Aug. 29	Aug. 28	M'nth ago	Year ago
1580.5	1581.7	1533.5	1458.0

(Base: September 18, 1931=100)

[illegible] son 0.25, Alphonse 0.25, Rozaki 0.22; Italian: Regina 10 lb 2.00-2.40. Spanish: Alphonse per pound 0.20. Nectarines—Italian: C/B/As 4.00-6.00. French: Alphonse 3.00. Bananas—Jamaican: Per 28 lb 4.50. Avocados—S. African: 3.80-4.50. Melons—Spanish: Yellow honeydew 10 kilos 5/14s 2.20-2.80. Onions—Spanish: 3.50-5.20; Dutch 3.60. Tomatoes—Jersey: Per tray 1.10-1.20; Guernsey: 1.20-1.40. Dutch: 1.40. Cabbages—Dutch, White, net 4.00. Potatoes—Cyprus: 1.80-2.00. Peaches—Italian: 1½ trays Cs 1.80, Bs 2.40-2.60, As 2.60-2.80, AA 2.80-3.20.

English Produce: Potatoes—New crop [illegible]

[illegible] 0.10-0.11. Blackberries—Per ½ pound 0.20. Tomatoes—Per pound 1.00-1.20. Cucumbers—Trays 8/18s 1.40-1.80. Cauliflowers—12s Lincoln 2.50-3.50. Celery—Boxes, naked 15/24s 1.40-1.60, cartons 18/24s 2.20-2.60. Peas—Per pound 0.12-0.13. Onions—Per bag 3.40-3.80. Carrots—Per bag 0.80-1.20. Beetroot—Per bag 0.80-1.00. Capsicums—Per pound 0.25-0.30. Swedes/Turnips—Per 25-28 lb 1.00. Stick Beans—Per pound 0.15-0.18. Runner Beans—Per pound 0.10-0.12.

★

GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shell cod [illegible]

LONDON STOCK EXCHANGE

Equity leaders harder after slightly improved trade
Fears of increased competition hit Stores sector

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Aug. 13	Aug. 23	Aug. 24	Sep. 3
Aug. 28	Sep. 6	Sep. 7	Sep. 17
Sep. 10	Sep. 20	Sep. 21	Oct. 1

* "New time" dealings may take place from 9.30 am two business days earlier.

A slightly improved trade in leading shares early yesterday led to some dealers experiencing a squeeze on their short book positions. The emphasis was on stocks such as ICI, a much healthier market since recently announcing a second-quarter profits recovery, but often showed through in other first-line industrials which regained small early losses to settle marginally higher on balance.

The eary morning dullness was particuarly evident in the Stores sector following an advance report of Marks and Spencer's anti-inflation drive. This aroused fears of a High Street price-cutting war developing and the company's competitors sustained sizeable falls. British Home Stores were especially vulnerable and dipped to 245p before closing a net 15 down at 248p. Marks fluctuated between 105p and 111p prior to ending a penny off on balance at 108p.

Neither the imminence of another survey moderately bearish of the UK economy nor the latest rise in U.S. Prime rates had any lasting impact on underlying sentiment. Features stemming from trading announcements became more plentiful, although adverse comment lowered Associated Dairies in which the loss was partially reduced later by the announcement of preliminary figures generally in line with expectations and a proposed scrip issue.

Hourly movements in the FT 30-share index ranged from a loss of 1.5 at 10 am to a gain of 2.3 at the 1 pm calculation; the close was below the best at 466.3 for a gain on the day of 1.5. The slight expansion in overall trade was measured by total bargains of 13,512 compared with the previous day's 13,087, the lowest since this measure of market activity was introduced about 12 weeks ago.

A further small overseas interest generated by the later firmness in the pound encouraged a basically firm undertone in Government securities. Domestic investors appeared content to await next week's events, first of which is the banking sector's eligible liabilities on Tuesday.

A renewed demand for investment currency, needed for the purchase of South African Gold shares, took the premium higher to 28¾ per cent before a subsequent easing on the firmer rate for sterling brought a close of 28¼ per cent, a net gain of ½. Yesterday's SE conversion factor was 0.8993 (0.9028).

A further contraction in Traded Option business resulted in only 181 contracts being completed against Monday's 190 and last week's daily average of 492. ICI attracted most interest, recording 57 deals.

Prov. Financial firm

Buying ahead of the interim figures due next Tuesday helped Provident Financial improve 3 to 96p among quietly firm Hire Purchases. Wagon Finance, which report half-yearly figures tomorrow, edged forward a penny to 43p, while FNFC 9½ per cent convertible 1983 came in for some good support and closed 7 points higher at £70, after £72. Elsewhere, Guinness Peat continued firmly at 93p, up 2, but Standard Chartered, a firm market of late in responce to a broker's circular, reacted 6 to 460p. Apart from an improvement of 5 to 285p in Lloyds, the major clearers remained unchanged at the overnight levels.

Pearl stood out in Insurances with a rise of 4 to 250p following the interim figures. C. E. Heath closed a similar amount harder at 192p and Hogg Robinson added 2 more at 96p.

Leading Breweries met fresh investment support and closed firmer across the board. Allied put on a couple of pence to 94p, while Arthur Guinness rose 3 to 178p. Regionals were selectively higher, Davenports improving 9 to 109p accompanied by renewed takeover rumours, while Matthew Brown added 4 to 150p. Among Distilleries, Tomatin were again wanted and rose 5 for a two-day gain of 11 to 188p. Arthur Bell hardened 4 to 174p, while Distillers rose a similar amount to 227p. Amalgamated Distilled Products put on 2 to 60p and Sandeman finished 5 up at 87p, the latter following revived speculative interest.

Apart from Blue Circle, which eased 2 to 364p awaiting today's half-yearly results, and Cement Roadstone, which, despite the increased interim profits, met Irish selling and shed 3 to 79p, Building descriptions registered several notable gains although trade remained slow. Crouch Group firmed 6 to 80p in response to the good annual results and, reflecting the chairman's confident annual statement, Vibroplant also added 6, to 226p. Burnett and Hallamshire "A" and J. Jarvis improved 5 apiece to 470p and 130p respectively in thin markets, while Benlox advanced 3 to 28p on the rights issue proposals announced at the annual general meeting. In Timbers, renewed interest lifted May and Hassell 4 to 88p.

Early demand for ICI petered out, but the shares held a gain of 3 at 383p, after 366p. Down to 116p at one stage on the chairman's bid denial, Allied Colloids rallied in late dealings and finished just 2 cheaper on balance at 121p.

Marks. & S. volatile

A Press suggestion that Marks and Spencer would soon be announcing a major new price-cutting campaign prompted an early sharp mark-down of the Store leaders. Confirmation later from M and S that the company is lowering prices on clothing, home furnishings and foods by up to 15 per cent accelerated the fall as nervous sellers appeared fearing the move will spark off a price "war." British Home, its major competitor, were particularly vulnerable and closed 15 down at 248p, after 245p, but M and S ended only a penny cheaper on balance at 108p, after extremes of 111p and 105p. Gussies "A" gave up 6 to 400p and Burton "A" relinquished 4 to 252p, while Combined English finished a couple of pence off at 55p. Wallis, on the other hand, with the help of option business, closed 3 better at 55p.

Profit-taking after the recent strong speculative surge on bid hopes left Style Shoes 6 easier at 235p, after 234p.

In Electricals, Farnell, 4 up at 250p, and Newman Industries, 3 better at 68p, attracted small buyers, while Kode continued to benefit from recent Press comment and closed 2 to the good for a two-day gain of 6 to 231p. Automated Security improved 6 to 193p, but Decca "A" came on offer and shed 7 to 288p.

Thomas Robinson became a late casualty in Engineerings, falling 8 to 74p following news of the sharp contraction in first-half profits. Jones and Shipman gave up 7 to 180p and Startrite dipped 6 to 130p, while Braham Millar cheapened 3 to 27p. By way of contrast, Savills Gordon firmed 3 to 45p on the better-than-expected annual results.

Trading statements were responsible for prominence of certain Food issues. Associated Dairies failed to recover from adverse Press comment and finished 7 cheaper at 263p, after 261p, following the annual results and proposed 50 per cent scrip issue, but Nurdin and Peacock responded to the excellent interim results with a jump of 10 to 126p, after 128p. Cartiers firmed 3 to 148p on the after-hours announcement of the Monopolies Commission's clearance for Tesco's 150p per share cash bid. Elsewhere, Avana put on 5 to 1979 peak of 115p on renewed speculative interest.

Avon Rubber good

In firm Hotels and Caterers, Grand Metropolitan added 4 to 145p and Trusthouse Forte rose 5 to 144p. Although the interim profits were slightly lower than expected, Ladbroke hardened a penny to 174p on the dividend increase and the chairman's confident remarks. Elsewhere, Savoy "A" put on 3 to 87p and the "B" advanced 55 to 675p in a thin market as bid hopes revived.

The previous day's trend was repeated in miscellaneous industrials as secondary issues again provided most of the interest. A flurry of speculative buying on revived bid hopes helped Avon Rubber jump 14 to 170p, while Denbyware gained 7 to a 1979 peak of 128p on the announcement that Crown House now holds nearly 30 per cent of the capital. Further consideration of the capital proposals helped E. Fogarty advance 8 to 263p, while comment on the favourable interim figures helped Macfarlane Group (Clansman) improve 2 more to 95p. National Carbonising came in for good support at 77p, up 4, while similar improvements were recorded in Ofrex, 128p, and Wian Industries, 62p. Beatima, 53p, edged forward a penny in response to the results and Nu-Swift Industries added 2 to 30p following news of the better-than-expected interim results and the property revaluation surplus. Edward Le Bas cheapened 3 to 65p following lower interim profits and Johnson Matthey gave up a like amount to 203p on mild disappointment with the first-quarter figures.

A speculative flurry prompted a gain of 2½ to 41p in Hawley Leisure.

Annual profits from Motor dealers H. & J. Quick proved to be ahead of market expectations and, helped also by the increased dividend payment, the shares closed 2 better at 45½p. Other distributors, however, attracted only nominal interest and tended slightly easier on balance. Heron gave up 2 at 50p. Elsewhere, Rolls-Royce hardened 1½ to 69p.

In Newspapers, Associated, 222p and News International, 158p rose 4 and 5 respectively, but International Thomson shed a couple of pence to 348p following the previous day's annual results. Speculative favourite Associated Book Publishers met renewed interest and gained 8 to 303p.

Properties failed to attract any worthwhile support and usually eased a few pence. MEPC shed 2 to 139p and Great Portland Estates 4 to 304p, while Land Securities held at 298p. Interim profits slightly below market expectations left Slough Estates a penny cheaper at 109p, while the proposed rights issue clipped a like amount from Estates Property Investment, to 167p. A good market on Tuesday following favourable Press comment, Greycoat Estates eased 2 to 104p on profit-taking. In contrast to the trend in the domestic market, far-eastern influences prompted gains of 2 and 2½ respectively in Hongkong Land, 84p, and Swire Properties, 39p.

Oils improve

A reasonable demand developed for leading Oils with British Petroleum firming 15 to 1,145p, after 1,150p, and Shell adding 4 to 328p. Elsewhere, buyers became interested in Oil Exploration and Tricentrol which improved 4 apiece to 348p and 224p respectively, while late demand lifted Ultramar 7 to 322p. Aran Energy continued to attract buyers and put on 7 for a two-day gain of 20 to 165p. Still reflecting the Australian Budget concessions on on-shore oil exploration, Weeks firmed 12 more to 237p.

Hunting Gibson provided an isolated bright spot in a subdued Shipping sector, jumping 15 to 290p on buying in a narrow market. LOFS added 1½ to 31½p, but P & O shed a fraction to 105p.

Among Textiles, Nottingham Manufacturing, a major supplier to Marks and Spencer, cheapened 3 to 125p following the latter's price-cutting proposals. Elsewhere, business was slack and few alterations were made to the overnight levels.

Plantations remained in favour, demand in thin markets lifting Castlefield 13 to 323p; Kinta Kellas, 12 to 165p and Bertram 6 to 183p. Harrisons Malayan Estates closed 4 better at 135p.

Golds easier

After being marked down at the outset reflecting the initial downturn in the bullion price, South African Golds staged a good rally along with the metal.

Overnight American selling and Continental offerings just after the opening prompted the early losses but the market gradually improved thereafter on good London buying to close showing only minor falls.

The Gold Mines index gave up 1.3 at 191.0 and the ex-premium index 1.8 at 171.8, while the bullion price was finally $1.25 up at a record closing high of $316.125 an ounce.

News of an overall 13 per cent increase in rough diamond prices encouraged good Johannesburg and London buying of De Beers; the shares moved up to 384p immediately following the news but this was pared to a close of 380p, up 4, as profit-taking emerged. Anglo American Investment Trust rose £1½ to £42 in sympathy with De Beers.

Johnnies were well supported and advanced ½ to £18½ on consideration of the much-better-than expected final dividend. Union Corporation, on the other hand, closed unaltered at 419p, after 416p, as profit-taking followed the news of the increased profits and dividend.

Australians registered widespread gains in the wake of overnight domestic markets.

Rumours of an imminent announcement from the company lifted Pacific Copper 6 to 112p.

In the speculative issues Eagle Corporation jumped 6 to 14p owing to heavy overnight Australian buying while Swan Resources added 2½ to 20½p, Hanma 3 to 38p and Paringa 2½ to 28p.

The coal producer Oakbridge rose 5 to 95p despite the sharply reduced earnings which had already been discounted by the market. Peko-Wallsend remained unsettled by the proposed rights issue and dipped 6 more to 330p.

LONDON TRADED OPTIONS

Option	Ex'rc'se price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
BP	1200	22	15	68	2	95	4	1146p
BP	1300	8	19	40	—	60	1	"
Cons. Gold	220	24	10	31	10	37	—	255p
Cons. Gold	260	5	2	12	—	—	—	"
ICI	330	34	1	38	1	44	—	364p
ICI	360	9	7	16	11	26	5	"
ICI	390	2	—	7	15	—	—	"
ICI	420	1	—	5	17	—	—	"
Marks & Sp.	100	12	2	16	—	19	1	108p
Marks & Sp.	110	6	—	10	8	14	4	"
Marks & Sp.	120	2	5	6	—	10	—	"
Shell	350	7	8	15	—	—	—	327p
Shell	400	2	—	5	4	—	—	"
Totals			67		68		11	
		November		February		May		
EMI	90	12	—	16	—	20	8	95p
EMI	120	3	8	6	—	—	—	"
RTZ	330	13	—	24	19	—	—	301p
Totals			8		19		8	

FINANCIAL TIMES STOCK INDICES

	Aug. 29	Aug. 28	Aug. 24	Aug. 23	Aug. 22	Aug. 21	A year ago
Government Secs.	73.64	73.43	73.45	73.54	73.57	73.81	70.42
Fixed Interest	74.63	74.69	74.67	74.64	74.68	74.71	72.25
Industrial	466.3	464.8	465.0	465.1	465.7	464.5	503.9
Gold Mines	191.0	192.3	185.7	179.9	180.8	170.5	181.6
Gold Mines (Ex-$ pm)	171.8	173.6	167.4	161.3	162.4	153.3	127.2
Ord. Div. Yield	7.00	7.03	7.02	7.04	7.01	7.00	5.51
Earnings Yld. % (full)	17.41	17.50	17.47	17.53	17.54	17.51	15.85
P/E Ratio (net) (*)	7.23	7.15	7.20	7.18	7.16	7.19	8.36
Total bargains	13,512	13,087	15,443	14,242	13,687	14,770	
Equity turnover £m	—	47.63	67.57	68.82	53.76	64.18	64.09
Equity bargains total	—	9,411	11,598	11,294	9,656	11,180	13,012

10 am 463.3. 11 am 464.4. Noon 465.9. 1 pm 467.1.
2 pm 467.1. 3 pm 466.6.
Latest Index 01-246 8026.
* Nil=6.95.
Base 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. Ex-$ premium index started June, 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1979 High	1979 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	75.91 (4/6)	64.54 (8/2)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.76 (5/6)	66.03 (15/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.6 (4/5)	446.1 (12/2)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	208.4 (5/6)	129.9 (17/4)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines (Ex $pm)	175.6 (28/8)	95.2 (2/11)	337.1 (3/4/74)	54.3 (26/6/76)

S.E. ACTIVITY

	Aug. 29	Aug. 28
—Daily		
Gilt Edged	121.0	130.7
Industrials	109.9	119.2
Speculative	38.1	35.6
Totals	74.5	80.6
5-d'y Av'r'ge		
Gilt Edged	115.8	117.0
Industrials	111.9	118.7
Speculative	29.6	26.3
Totals	74.8	78.6

NEW HIGHS AND LOWS FOR 1979

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979.

NEW HIGHS (25)

BEERS (1)
Burtonwood

CHEMICALS (1)
Brent Chemicals

ELECTRICALS (3)
Automated Security; Pye Hldgs.; Farnell Electronics

FOODS (3)
Avana; Nurdin & Peacock; Fitch Lovell

INDUSTRIALS (7)
Bodycote Intl.; Macfarlane Group; Crosby House; N.C.R. 4pc '93-98; Denbyware; Renwick; Fogarty (E.)

LEISURE (1)
Hawley Leisure

TRUSTS (3)
Rothschild Inv.; Park Place Inv.; United Capitals

OILS (2)
Aran Energy; Attock

MINES (4)
Bracken; Eagle Corp.; Southvaal; Paringa

NEW LOWS (18)

BUILDING (1)
Rohan Group

STORES (3)
Aquascutum A; Liberty N-V Ord.; House of Lerose

ELECTRICALS (1)
Philcom

ENGINEERING (4)
A.I. Ind. Products; Castings; Braham Millar; Carton Engr.

INDUSTRIALS (5)
Barrow Hepburn; Oce Finance Conv.; Fairbairn Lawson; Stalls. Potts.; Hestair

MOTORS (1)
Davis (Godfrey)

TEXTILES (2)
Martin (A.T.); S.E.E.T.

TRUSTS (1)
Australian Farming

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	47	13	26
Corpns. Dom. and Foreign Bonds	1	6	58
Industrials	280	167	890
Financial and Props.	98	38	271
Oils	20	1	78
Plantations	9	—	19
Mines	51	35	60
Others	61	30	57
Totals	567	290	1,609

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug. 20	Aug. 31	Nov. 15	Nov. 26
Sep. 3	Sep. 14	Nov. 29	Dec. 10
Sep. 17	Sep. 28	Dec. 20	Jan. 7
Sep. 3	Sep. 14	Nov. 29	Dec. 17

For rate indications see end of Share Information Service

Stocks favoured for the call included Lonrho, Spillers, Ladbroke, Furness Withy, Wace, Wallis Fashion, FNFC, South Crofty, Dunlop, Pacific Copper, Elsburg and Silvermines. Puts were arranged in Town and City and Racal while a double was arranged in United City Merchants.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979 high	1979 low
Marks & Spencer	25p	10	108	−1	134	83
ICI	£1	9	363	+3	415	314
Burmah Oil	£1	8	147	+4	150	82
GEC	25p	8	380	+1	456	311
Shell Transport	25p	8	328	+4	402	273
Boots	25p	7	267	—	288	211
BAT Inds.	25p	6	282	+2	362	255
Barclays Bank	£1	6	418	—	514	360
Cons. Gold Fields	25p	6	255	+3	268	178
Grand Met.	50p	6	145	+4	178½	110½
Rank Org.	25p	6	210	—	300	206
Assoc. Dairies	25p	5	263	−7	306	189
Beecham	25p	5	146	−1	159	130
Brit. Home Sts.	25p	5	248	−15	278	172
Denbyware	25p	5	128	+7	128	85

RECENT ISSUES

EQUITIES

Stock	Closing Price p	+ or −
Arrow Chemicals	70	
Barlow Hldgs.	90	
Fairline Boats	102	
Marchwiel Holdings	189	
Mettoy Dfd.	30	
St. George Assets 10p	84	
Standard Tel. & Cables	214	

FIXED INTEREST STOCKS

Stock	Closing Price
Aurora 8¼ Conv. Cum. Pref.	88
Bradford Prop. 10¼% Cum. Pref.	104p
English & Overseas Inv. Cons.	91
Essex Water 8% Red. Pref. 1984	8p
Lonrho 9½% 2nd Mort. Deb. 87/92	70
Do. 12¼% 2nd Mort. Deb. 95-00	86
Do. 12¼% 2nd Mort. Deb. 00-05	87
Scot. Agricultural Sec. 10% Deb. 97-99	99¼
Stonehill 10½% Cum. Pref.	102
Sund. & S. Shields Water 8% 1986	101
Wrexham Water 8% 1984	13¼

"RIGHTS" OFFERS

Stock	Closing Price p
Abwood Machine Tools	17
Bank & Commercial	79
Bank Leumi	17pm
Bank of New South Wales	17pm
Essex Estates	5pm
Goldberg (A.)	81
Hanson Trust	118
Hay's Wharf	112
Intl. Timber	127
Lennons	42pm
Letraset	12pm
London Inv. Trust	5pm
London Trust	8pm
Macarthys Pharm.	15pm
Unitech	55pm
Yorkgreen Invs.	1pm

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Wed., Aug. 29, 1979

Figures in parentheses show number of stocks per section

		Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)
1	CAPITAL GOODS (172)	242.57	+0.2	17.80	5.88	7.22
2	Building Materials (27)	225.09	+0.2	18.34	5.93	7.11
3	Contracting, Construction (28)	374.22	+0.7	24.40	5.79	5.12
4	Electricals (15)	614.25	+0.2	13.29	3.78	10.08
5	Engineering Contractors (12)	351.79	+0.2	20.67	6.88	6.05
6	Mechanical Engineering (74)	171.84	+0.2	19.67	6.78	6.54
8	Metals and Metal Forming (16)	162.85	+0.3	19.31	9.24	6.44
	CONSUMER GOODS					
11	(DURABLE) (52)	236.83	+0.3	15.51	4.94	8.09
12	Lt. Electronics, Radio, TV (16)	336.38	+0.4	12.01	3.76	10.75
13	Household Goods (13)	145.67	−0.1	19.94	7.50	6.25
14	Motors and Distributors (23)	113.26	+0.2	23.61	7.46	5.34
21	(NON-DURABLE) (171)	235.75	+0.3	16.62	6.03	7.49
22	Breweries (14)	288.39	+1.2	15.72	5.30	7.58
23	Wines and Spirits (6)	318.47	+1.4	17.23	5.64	7.42
24	Entertainment, Catering (17)	300.70	+0.1	15.33	5.71	8.03
25	Food Manufacturing (19)	206.86	+0.5	19.08	6.45	6.52
26	Food Retailing (15)	307.36	+0.2	12.04	4.16	9.91
32	Newspapers, Publishing (12)	417.76	+1.2	22.65	6.96	6.21
33	Packaging and Paper (15)	126.95	+0.2	23.15	8.78	5.59
34	Stores (41)	238.19	−1.0	12.40	4.38	10.56
35	Textiles (23)	155.90	−0.4	23.44	9.89	5.40
36	Tobaccos (3)	240.91	+0.4	25.64	9.23	4.77
37	Toys and Games (6)	73.82	−1.6	23.61	9.12	5.06
41	OTHER GROUPS (99)	204.58	+0.3	15.56	6.15	7.91
42	Chemicals (18)	289.44	+0.6	17.59	6.66	6.66
44	Pharmaceutical Products (7)	229.83	+0.5	12.37	4.77	10.80
45	Office Equipment (6)	116.82	+0.2	17.10	7.18	7.31
46	Shipping (10)	446.62	−0.1	10.53	6.72	12.14
47	Miscellaneous (58)	240.90	+0.2	16.14	6.08	7.98
49	INDUSTRIAL GROUP (494)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oils (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX	268.46	+0.4	15.94	6.09	7.67
61	FINANCIAL GROUP (116)	187.71	+0.1	—	5.63	—
62	Banks (6)	211.61	+0.3	39.07	6.05	3.27
63	Discount Houses (10)	261.66	—	—	7.01	—
64	Hire Purchase (5)	172.77	+1.1	19.03	5.03	6.67
65	Insurance (Life) (10)	151.97	+0.6	—	6.69	—
66	Insurance (Composite) (8)	124.68	+0.4	—	7.54	—
67	Insurance Brokers (10)	270.05	+0.1	18.54	6.79	7.72
68	Merchant Banks (14)	79.88	+0.4	—	7.11	—
69	Property (43)	360.04	−0.2	3.38	2.54	[illegible]
70	Miscellaneous (10)	118.08	−0.9	15.76	7.50	8.13
71	Investment Trusts (110)	214.10	+0.2	—	5.35	—
81	Mining Finance (4)	128.60	+0.8	15.49	5.87	7.92
91	Overseas Traders (20)	339.73	+0.6	15.61	7.50	7.71
99	ALL-SHARE INDEX (750)	246.14	+0.4	—	[illegible]	—

FIXED INTEREST PRICE INDICES

	British Government	Wed., Aug. 29	Day's change %	xd adj. today	xd adj. 1979 to date
1	Under 5 years	105.04	+0.06	—	6.66
2	5-15 years	118.49	+0.07	—	7.33
3	Over 15 years	124.64	+0.04	—	9.51
4	Irredeemables	137.88	−0.02	—	8.59
5	All stocks	115.29	+0.06	—	7.85

FIXED INTEREST YIELDS — British Govt. Av. Gross Red.

			Wed., Aug. 29
1	Low Coupons	5 years	10.00
2		15 years	10.48
3		25 years	10.96
4	Medium Coupons	5 years	11.87
5		15 years	11.99
6		25 years	12.00
7	High Coupons	5 years	12.29
8		15 years	12.49
9		25 years	12.33
10	Irredeemables		[illegible]

		Wed., Aug. 29 Index No.	Yield %
15	20-yr. Red. Deb & Loans (15)	56.67	13.66
16	Investment Trust Prefs. (15)	50.71	13.23
17	Coml. and Indl. Prefs. (20)	71.02	13.61

† Redemption yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

LEADERS AND LAGGARDS

The following table shows the percentage changes† which have taken place since December 29, 1978, in the principal equity sections of the FT Actuaries Share Indices. It also also contains the Gold Mines Index.

Gold Mines FT	+35.90	Banks	+ 7.87
Property	+34.90	Investment Trusts	+ 5.36
Food Retailing	+34.83	Other Groups	+ 5.32
Merchant Banks	+28.48	Capital Goods Group	+ 4.92
Electronics, Radio and TV	+27.90	Chemicals	+ 4.52
Stores	+26.74	Hire Purchase	+ 4.42
Mining Finance	+25.95	Contracting and Construction	+ 3.85
Breweries	+23.12	Food Manufacturing	+ 3.05
Discount Houses	+22.88	Tobaccos	+ 2.05
Oils	+21.17	Metal and Metal Forming	+ 1.40
Overseas Traders	+15.40	Insurance (Composite)	+ 1.36
Electricals	+14.23	Engineering Contractors	− 0.03
Consumer Goods (Durable) Group	+13.95	Packaging and Paper	− 2.92
Consumer Goods (Non-durable) Group	+13.82	Mechanical Engineering	− 5.36
Insurance (Life)	+13.45	Pharmaceutical Products	− 5.40
Newspapers and Publishing	+12.24	Motors and Distributors	− 5.48
Financial Group	+11.61	Office Equipment	− 9.41
All-Share Index	+11.35	Household Goods	−12.34
Entertainment and Catering	+11.31	Textiles	−12.57
500 Share Index	+11.31	Insurance Brokers	−13.12
Wines and Spirits	+11.10	Toys and Games	−17.96
Building Materials	+10.50		
Shipping	+10.12		
Industrial Group	+ 9.48		

† Percentage changes based on Tuesday, August 28.

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AUTHORISED UNIT TRUSTS

INSURANCE & PROPERTY BONDS

OFFSHORE & O'SEAS FUNDS

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"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

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LOANS

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Hire Purchase, etc.

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BUILDING INDUSTRY, TIMBER AND ROADS

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CHEMICALS, PLASTICS—Cont.

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FOOD, GROCERIES—Cont.

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INSU[illegible]

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

Head Office: The Financial Times Limited, Bracken House, 10 Cannon Street, London EC4P 4BY
Telex: Editorial 8954871. Advertisements: 885033. Telegrams: Finantimo, London.
Telephone: 01-248 8000.
Frankfurt Office: The Financial Times (Europe) Ltd., Frankenallee 68-72, 6000 Frankfurt-am-Main 1.
Telex: Editorial 416052. Commercial 416193. Telephone: Editorial 7598 234. Commercial 7598 1.

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[illegible]

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INSURANCE—Continued

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MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

MINES—Continued

AUSTRALIAN

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
14	9	Acmex	12	......	—	—	—
15	4	ACM 20c	14	−1	—	—	—
171	100	Bougainville 50 Toea	125	−1	†015c	1.0	6.3
140	84	BH South 50c	115	+2	—	—	—
860	340	Central Pacific	750	+10	—	—	—
318	170	Conzinc Riotinto 50c	212	+2	NQ10c	2.0	2.4
36	16	Cultus Pacific N.L.	19	......	—	—	—
14½	5	Eagle Corp 10c	14½	+5	—	—	—
21½	11	Endeavour 20c	17½	+1	—	—	—
98	62	G.M. Kalgoorlie $1	91	−2	Q3c	φ	1.7
42	23	Haoma Gold N.L.	37	+3	—	—	—
235	148	Hamptn Areas 5p	230	−5	3.5	2.8	2.2
71½	25	Metals Ex. 50c	41	−1	—	—	—
275	168	M.I.M. Hldgs. 50c	207	+5	†Q9c	1.7	2.2
15	15	Minefields Expl.	15	......	—	—	—
74	30	Mount Lyell 25c	48	......	—	—	—
44	14	Newmetal 20c	15	......	—	—	—
141	91	North B. Hill 50c	114	+3	†Q8c	1.3	3.6
22	11	Nth. Kalgurli	19	......	—	—	—
40	22	Nth West Mining	35	+2	—	—	—
137	76	Oakbridge $A1	95	+5	Q12c	1.9	6.6
41	22	Oilmin N.L.	40	−1	—	—	—
120	58	Pacific Copper	112	+6	—	—	—
£10¼	625	Pancont'l 25c	750	......	—	—	—
28	15½	Paringa M&Ex 5p	28	+2½	—	—	—
510	268	Peko-Wallsend 50c	330	−6	†Q17.5c	φ	3.0
340	145	Southern Pacific	285	......	—	—	—
29	11	Swan Resources 20c	20½	+2½	—	—	—
16	12	West Coast 25c	13	......	—	—	—
188	121	Westn. Mining 50c	165	+2	Q7c	φ	2.3
11	9	Westmex	10	......	—	—	—
65	50	Whim Creek 20c	55	......	—	—	—
25	13	York Resources	13	......	—	—	—

TINS

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	27	......	2.81	1.3	14.9
435	265	Ayer Hitam $M1	320	+5	Q300c	0.5	20.1
72	50	Beralt Tin	51	......	4.0	3.3	11.2
270	175	Berjuntai $M1	180	......	Q95c	φ	12.3
160	125	Geevor	125	......	8.71	3.1	10.0
10½	8	Gold & Base 12½p	8	......	—	—	—
365	295	Gopeng Cons.	305	......	†18.0	1.4	8.4
370	295	Hongkong	310	......	†12.5	2.8	5.8
98	64	Idris 10p	85	......	†8.0	1.6	13.4
14	9½	Jantar 12½p	12	......	—	—	—
95	58	Kamunting $M0.50	75xd	......	Q47½c	1.1	14.2
620	210	Killinghall $M1	310	......	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

COPPER

[illegible]

MISCELLANEOUS

[illegible]

GOLDS EX-$ PREMIUM

[illegible]

NOTES

[illegible]

... based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xcd ex capital distribution.

"Recent Issues" and "Rights" Page 28

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	Sindall (Wm.)	167	+2
Bertam	22	......	**IRISH**		
Bdg'wtr. Est. 50p	410	......	Conv. 9% '80/82	£88⅞	......
Clover Croft	28	......	Nat. 9¾% 84/89	£72⅛	+¼
Craig & Rose £1	£31½	......	Fin. 13% 97/02	£86½	+¼
Dyson (R. A.) A	26	......	Alliance Gas	85	......
Ellis & McHdy	180	......	Arnott	330	......
Fife Forge	52	......	Carroll (P.J.)	110	......
Finlay Pkg. 5p	19½	......	Clondalkin	80	......
Graig Ship £1	335	......	Concrete Prods.	79xd	......
Higsons Brew.	68	......	Heiton (Hldgs.)	78	+3
Holt (Jos) 25p	255	−5	Ins. Corp	190	......
I.O.M. Stm. £1	150	......	Irish Ropes	72	+2
Pearce (C. H.)	278	......	Jacob	35	......
Peel Mills	30	......	T.M.G	140xc	+1¼
Sheff. Refrshmt	105	......	Unidare	85	......

OPTIONS

3-month Call Rates

Industrials		I.C.I.	24	Tube Invest.	30
A. Brew	9	"Imps"	8	Unilever	55
BOC Intl.	6	I.C.L.	55	U.D.T.	5
B.S.R.	7	Inveresk	7	Utd. Drapery	10
Babcock	18	KCA	5	Vickers	18
Barclays Bank	32	Ladbroke	22	Woolworths	7½
Beecham	52	Legal & Gen.	14		
Blue Circle	18	Lex Service	11	**Property**	
Boots	18	Lloyds Bank	25	Brit. Land	7½
Bowaters	18	"Lofs"	5	Cap. Counties	9
B.A.T.	28	London Brick	7	Land Secs.	25
Brown (J.)	50	Lonrho	8	MEPC	17
Burton 'A'	26	Lucas Inds.	25	Peachey	13
Cadburys	7	"Mams"	18	Samuel Props.	14
Courtaulds	10	Mrks. & Spncr	11	Town & City	2¼
Debenhams	8	Midland Bank	30		
Distillers	21	N.E.I.	14	**Oils**	
Dunlop	6½	Nat. West. Bank	28	Brit. Petroleum	100
Eagle Star	14	Do. Warrants	15	Burmah Oil	13
E.M.I.	12	P & O Dfd.	10	Charterhall	5
Gen. Accident	21	Plessey	10	Premier	5
Gen. Electric	35	R.H.M.	5	Shell	25
Glaxo	50	Rank Org.	25	Ultramar	25
Grand Met.	14	Reed Intnl.	18		
G.U.S. "A"	30	Sears	5½	**Mines**	
Guardian	24	Spillers	4½	Charter Cons.	16
G.K.N.	28	Tesco	7	Cons. Gold	20
Hawker Sidd	26	Thorn	35	Rio T. Zinc	27
House of Fraser	18	Trust Houses	17		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Thursday August 30 1979

PEACE HOPE SLIM AS KHOMEINI IS DEFIED

Besieged Kurds fighting on

BY ANDREW WHITLEY

MILITANT KURDS in the besieged city of Mahabad in north-west Iran defied a call by Ayatollah Khomeini to lay down their arms yesterday. They said they would defend themselves and fight on.

Faint hope appeared of a way out of the deadlock. However, a Kurdish peace delegation in Tehran said that they were prepared to make another effort, although Khomeini rejected Monday's provisional agreement.

Mr. Hashem Sabaghian, the Interior Minister, said that the delegation had agreed to allow regular army troops to be stationed temporarily in the rebel capital; but that was quickly dismissed by an official of the banned Kurdistan Democratic Party (KDP) in Mahabad.

Reports from the region say that an unofficial ceasefire was broken on Tuesday night when Kurdish irregulars, said by the government to be KDP members, attacked an army camp west of the town of Naqadeh with artillery and mortars. The attack was apparently beaten off after six hours.

The clash seems to have been an isolated, freelance action as the main body of Kurdish fighters, estimated at more than 10,000 continued to hold their fire. Organised by the KDP, they have dug themselves into the mountain passes leading to Mahabad.

Against the armoured columns waiting to advance from the north and south on the city, the Kurds have some tanks captured from Government bases, anti-aircraft batteries, anti-tank weapons and some artillery. Their greatest shortage is anti-aircraft guns and ammunition.

Elsewhere in this heartland of Kurdish militancy, a 200-square mile region of poor communications and remote villages, preparations for a further flare-up of full-scale fighting are under way. In Baneh, near the Iraqi border, Kurdish rebels said half the town's women and children had been sent to the border area as a precaution.

In an uncompromising statement, Ayatollah Khomeini said yesterday that the Kurds should surrender and their leaders would be punished as traitors. Behind the scenes, however, Government *officials are clearly* persisting in a softer line, as the Interior Minister made clear that ordinary members of the KDP would not be punished.

Mr. Sabaghian said that a four-point agreement had been reached with the delegation from Mahabad. The key issue seems to be whether the army would be allowed into *Mahabad,* as the Government and ruling clergy have demanded.

Other points included immunity from prosecution for ordinary party members and the recruitment of revolutionary guards, a paramilitary local security force, from among local people

'Blacking' by engineering groups in struggle against unions

BY ALAN PIKE, LABOUR CORRESPONDENT

ENGINEERING employers are going to exceptional lengths to maintain a solid front in the face of national industrial action by members of the Confederation of Shipbuilding and Engineering Unions.

Some companies are in effect "blacking" others by saying that they will cease doing business with suppliers who reach unilateral settlements with the unions. Others are pointing out that companies making private settlements will not be able to dispose of extra material because of the effect of the unions' national overtime ban and strikes.

This trade *union-style* solidarity at local level reflects the determination of employers not to be defeated, particularly on the Confederation's claim for a one-hour reduction in the working week.

The Engineering Employers Federation remains convinced that defections among its 6,500 member companies are small. It said yesterday that it knew of only 11 companies, employing a total of 6,000 employees, which had settled at more than the EEF's national offer.

By contrast, the Federation *claimed that around 600 companies* with approaching 100,000 employees were now working normally and disregarding union instructions to impose sanctions.

The three one-day strikes called by the Confederation this month have been well supported but employers hope the position may change when the first two-day stoppage is launched next week. Today the EEF is taking advertisements in national and regional newspapers telling engineering workers that the industry could not afford to meet the unions' claim in full.

Union officials in major industrial areas remained confident yesterday that the two-day strike would win wide support in spite of difficulties at some factories.

At Austin Morris's Cowley assembly plant yesterday workers voted against joining the strike after an inspector had taken control of a mass meeting. But elsewhere in BL, shop stewards at the SU Fuel Systems factory in Birmingham warned that it was "almost certain" they would halt supplies of carburettors and fuel pumps to factories where workers ignored the strike call.

Union leaders and employers' representatives discussed the dispute at the Advisory, Conciliation and Arbitration Service on Tuesday night and agreed to report back to their representative bodies. The employers have offered a new national craft rate of £70 in response to the union's claim for £80.

● An attempt by Golden Ltd., perfume manufacturers, to obtain an injunction against the Amalgamated Union of Engineering Workers was adjourned until Monday in the High Court yesterday to give the union time to prepare its defence. The company is to appeal today against the decision to adjourn the hearing.

Sinclair sells off Microvision

BY MAX WILKINSON

SINCLAIR RADIONICS,' a National Enterprise Board subsidiary, has sold its Microvision pocket television to Binatone, an importer and manufacturer of radios and television games.

Sinclair has received £5.35m in Government subsidy in the past few years, much of it for developing the Microvision and related products.

However, in spite of the technical success of the two-inch-screen pocket television, it has proved an expensive commercial failure for Sinclair. The company failed to win high enough sales to make the product profitable.

The first version of the Microvision, selling at more than £200, could tune into any television station in the world and was aimed first at the U.S. market.

Unfortunately, the set proved unnecessarily complex and too expensive. It was withdrawn in favour of a simpler set, *costing about £100,* aimed only at the UK market. That also failed to sell in adequate numbers.

With a £2m loss on a turnover of £6.39m last year, Sinclair discontinued production of the Microvision at its factory in St. Ives, Cambridgeshire, and concentrated on trying to shift its huge stocks.

Mr. Gulu Lalvani, Binatone's chairman, said yesterday that he expected the stocks to last until Christmas, even at the *increased rate of sales for which* he is hoping.

Binatone, a private company with a 1978 turnover of about £20m, has paid more than £1m for the stocks of Microvision and all future rights to the products.

It intends to start a new production line in the autumn at a factory in Wales or in Washington, Tyne and Wear, to which it will transfer the present production of its music centres from a small factory in Camberwell, south London.

The new factory will employ 250 people, including eight to ten key engineering staff recruited from Sinclair.

Mr. Lalvani says he expects annual UK sales of the Microvision to exceed 100,000 a year. He is also expecting big sales *abroad.*

Mr. Lalvani said: "We have dealings with electronics companies throughout the Far East and we know that the Microvision is technically superior to anything that the Japanese have produced."

The Microvision was the only *true pocket television set that* would run for 10 hours on penlight torch batteries. A competitive Japanese machine, he said, was much larger and would run for only a fraction of the time before its batteries needed to be replaced.

For most of its 21 years' existence, Binatone has been an importer of electronic consumer goods, mainly from the Far East. Its main skill has been in marketing and distribution. *Its range includes TV games,* clock radios, car entertainment and high-fidelity equipment.

Playboy buys Victoria club

BY JAMES BARTHOLOMEW

PLAYBOY CLUB of London has beaten Mr. Eric Morley, former chairman of Grand Metropolitan's Mecca subsidiary, and Mr. Laurie Marsh, a former *director of Associated Communi*cations Corporation, in a fight to buy Norwich Enterprises, which owns the Victoria Sporting Club casino in Edgware Road, West London. Playboy is paying £6m cash.

The deal will make Playboy the most profitable casino operator in the UK, Mr. Victor Lownes, chairman of Playboy London, said yesterday.

The acknowledged leader has been Ladbroke Group, which yesterday announced record first half profits of £16.7m compared with £13.8m in January-June, 1978, and a 50 per cent dividend increase. Neither company however has disclosed how *much of its profits come from its casinos.*

Mr. Morley and Mr. Marsh were expecting to buy Norwich until the end of last week. Mr. Morley had been working on the deal for four or five months after his enforced *resignation from Mecca.*

'Disappointed'

He said yesterday that he was "obviously fed up, obviously disappointed."

But he would pick himself up and find other things to do. He had an even bigger deal in view and many offers. He had agreed to run the Glasgow Rangers social club on a profit-sharing basis.

For Playboy, the purchase is a calculated gamble. The police and the Gaming Board have applied for cancellation of the licence of the Victoria Sporting Club after a police raid on the club last December.

Mr. Levan and four other directors and employees of the club have been bailed to appear at Thames Magistrates Court on September 11 on charges of theft and alleged breaches of the Gaming Act, 1968.

Playboy hopes that the police and the Gaming Board will drop their attempt to have the Victoria Club licence removed now that Playboy has taken over. The Gaming Board will consider the matter.

Ladbroke results, Page 19

Continued from Page 1

Vauxhall

market jumped from 932,135 to 1,083,582.

Nevertheless, the Chevette and Cavalier maintained their position among Britain's top 10 best-selling cars. On the commercial vehicle side, Bedford was the UK's most popular truck, to some extent because of the shortage of Fords after its long dispute last autumn.

Total Vauxhall and Bedford sales in the half-year were 136,364, against 143,959 for the first half of last year.

Turnover was £445.293m against £416.275m. Operating profit was £4.494m (£10.387m). Interest and other financing charges totalled £7.191m (£4.509m) and there was a loss on currency realignment of 680,000 (£1.544m).

Vauxhall received an Industry Act grant of £1.4m during the half-year.

Sheffield's 'bendibuses'

BRITAIN'S FIRST articulated bus service begins in Sheffield next Monday—and passengers will travel free. Under the present law, travel must be free on trailer vehicles, but moves are being made to relax these restrictions.

THE LEX COLUMN

Marks takes the red pencil out

For a company that considers advertising unnecessary, Marks and Spencer is beating the big drum about its autumn price-cutting spree. In common with other retailers, *Marks has been* having a slack patch (unlike John Lewis, it does not have a July sale) in the present period between the rise in VAT and the payment of income tax rebates. But volume sales since *June,* are a full 5 per cent down on the group's own budget, and non-food sales may be as much as 8 per cent below target.

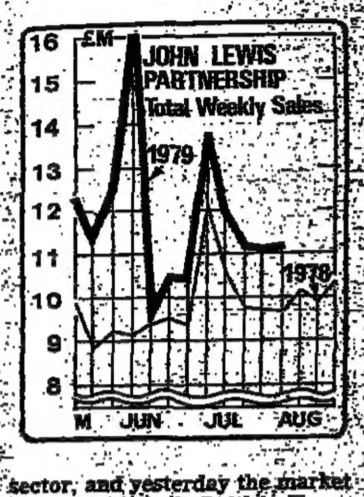
This is making Marks uneasy—the unpublished target may have been set too high after the excellent 1978-79 results, but for management it appears to be sacrosanct. If retail sales are not growing fast enough to generate satisfactory volume growth, then the group must try to take volume from its competitors.

Marks is not just having a sale to clear out slow-moving stock, it is making substantial reductions on basic autumn lines such as rainwear. What ought, after all, to be a fairly short patch of dull trading would not normally be enough to provoke such a strong reaction. But there is a widespread feeling among M and S suppliers and competitors that Marks has allowed its prices to get rather *too high, and that the sharp rise* resulting from the VAT increase has left them downright uncompetitive. The reputation for good value that Marks enjoys may not be enough to compensate for these price levels, *especially with a recession* threatened.

Marks claims that the higher sales volume which should result from the price cuts will guarantee a steady or rising stream of orders to its *manufacturing suppliers. It is not* clear whether profit margins at M and S or at its suppliers will suffer more, but the group can argue that a slight fall in margins for a supplier is a small price to pay for security. It claims to have full and sometimes enthusiastic support from the manufacturers, but in fact some are unhappy, especially as Marks already makes aggressive use of its enormous buying power.

The first reaction from the competition is cool and rather wary: there can be no real price war in clothes retailing, given the extent of product differentiation—and anyway, they say, why all this fuss about a glorified promotion? But the news does nothing to relieve recent pressure on share prices in the store sector, and yesterday the market knocked 15p off British Home Stores, to 248p, while Nottingham Manufacturing, one of the most highly-rated of Marks' suppliers, slipped 3p to 125p. Marks itself was down a mere penny at 108p.

Index rose 1.5 to 466.3



Hanson/Lindustries

Lindustries' defence document shows why Hanson Trust wants to buy the company—and why it will probably succeed. The company says that its net *assets* at to-day's values are worth around £42m compared with a bid of £25m. It has very little debt. And some of its assets are readily realisable, including a *head office* valued at a minimum of £6½m.

Hanson has shown many times what it can do with under-used assets. But Lindustries' return on capital last year was not impressive, and it can do no more than forecast that this year's profits will not be significantly down. Even that is based on a host of specific assumptions. One of these is that management action will limit trading losses to £1m at a subsidiary bought for £1.7m in 1972. Extraordinary losses at this business could amount to £2.8m after tax.

The dividend yield at the bid price is 10½ per cent. But the payment was not fully covered last year by current cost earnings, and Lindustries promises no more than a maintained payment this year.

Asda

Associated Dairies' pre-tax profits for 1978/79 are up from £26.2m to £41m and in terms of profits the group now ranks ahead of Tesco and Sainsbury, which made £37.7m and £32.6m respectively in their last financial years.

Of course Asda has had the benefit of two sizeable non-food acquisitions—Allied Retailers and Wades Departmental Stores. Together these two contributed £8m of the £14.8m improvement. The stock market has been suspicious of the logic behind these takeovers but Asda is confident that it has made the right move. Allied Retailers, in particular, should continue to turn in above average profit growth notwithstanding the uncertainties over consumer durable spending in 1979/80.

Asda's traditional supermarket business has moved *ahead strongly on the back of* higher volume and an extra 200,000 sq ft of selling space. In common with its arch rivals, Tesco and Sainsbury, Asda sees the competition at the moment more in terms of winning new store sites rather than crude price cutting. It has earmarked £55m for capital spending in 1979-80 and hopes to continue to open five or six new superstores per year.

On present form the group should be able to push its profits above £50m this year. This looks impressive but it is the sort of performance that the share price is expecting. At 263p the shares sell on a multiple of 20 times fully taxed earnings and yield 2.7 per cent.

Ladbroke Group

Ladbroke Group's first half performance compares well with that of Coral Leisure. The latter reported a near one fifth drop in first half profits whereas Ladbroke has pushed its pre-tax profits up over a fifth to £16.7m. In addition, it has increased its net interim dividend by 50 per cent against a rise of around a tenth at *Coral.*

Given the rapid diversification of both groups in recent years crude comparisons can be dangerous. Nevertheless it looks as if Ladbroke has been less affected by the poor weather and industrial disputes which took a heavy toll on both companies' betting and hotel operations in the first half.

But the big question mark over the Ladbroke share price at the moment concerns the future of the London casino licences. The loss of these would undoubtedly hurt the group badly. But its 197- dividend (assuming a 50 per cent increase) would still be covered 1.8 times by estimated fully taxed earnings of the non-casino side. At 174p the shares yield a prospective 9.6 per cent

Weather

UK TODAY

DRY and sunny after fog patches clear. Rain in N. Scotland.

London, Midlands, Wales, E. Anglia, S.W. England, Cent. N. England

Very warm. Fog patches early. 25C (77F).

Isle of Man, S. W. Scotland, Glasgow, Ulster

Dry and sunny. 20C (68F).

N.E. Scotland, Borders, *Edinburgh and Dundee*

Cooler near coasts. Sunny and dry. Max 22C (72F).

Rest of Scotland

Bright periods. Rain in the north. Max. 16C (61F).

Outlook: Cloudy in the north and west with rain or showers. Dry and warm elsewhere.

fi P-f etaoin etaojn shrdlu etaoin

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	Lisbon	S	23	73
Algiers	S	30	86	Locarno	S	20	68
Amsdm.	S	20	68	London	S	23	73
Athens	S	30	86	Luxmbg.	S	17	63
Bahrain	S	35	99	Madrid	S	28	82
Barclna.	S	25	77	Malorca	S	30	86
Beirut	F	29	84	Malaga	F	28	82
Belfast	S	17	63	Malta	S	29	84
Berlin	C	14	57	M'chstr.	F	20	68
Biarritz	S	23	73	*Melbne.*	C	10	50
Bmghm.	S	20	68	Milan	F	22	72
Blackpl.	S	19	66	Mntreal.	C	21	71
Bordx.	F	23	73	Moscow	C	15	59
Boulgn.	F	20	68	Munich	S	17	63
Bristol	S	20	68	Nairobi	S	21	71
Brussels	S	21	70	Naples	S	26	79
Budpst.	F	18	64	Nwcstl.	S	19	66
B. Aires	S	10	50	N. York	C	27	81
Cairo	S	34	95	Nice	S	25	77
Cardiff	S	18	64	Nicosia	S	29	84
Cas'b'ca	S	23	73	Oporto	F	20	68
Cape T.	S	19	65	Oslo	F	18	64
Chicago	S	24	75	Paris	S	20	68
Cpnhgn.	C	16	61	Perth	C	15	59
Corfu	S	29	84	Prague	C	16	61
Dublin	S	17	63	Reykjvk.	S	10	50
Dbrvnk.	S	24	75	Rhodes	S	28	82
Ednbgh.	F	18	64	Rio J'o	S	26	78
Faro	S	26	79	*Rome*	S	24	75
Frankft.	S	19	66	Salzbrg.	S	18	64
Funchal	S	23	73	Singapr.	S	30	85
Geneva	S	17	63	Stckhm.	S	17	63
Gibrltr.	C	24	75	Strasbg.	S	19	66
Glasgow	S	17	62	Sydney	C	16	61
G'nsey	S	17	63	Tangier	S	26	79
Helsinki	F	19	66	Tehran	S	27	80
H. Kong	C	30	86	Tokyo	C	26	79
Innsbrk.	S	19	66	Toronto	C	23	73
Invrnss.	F	17	63	Tunis	S	33	91
I.o.Man	F	15	59	Valencia	F	26	79
Istanbul	F	25	77	Venice	S	21	70
Jersey	S	19	66	Vienna	C	18	64
Jo'burg	S	21	70	Warsaw	C	14	57
L. Plms.	S	24	75	Zurich	S	18	64

C—Cloudy. F—Fair. R—Rain. S—Sunny.

Commercial Union plans link with Australasian group

BY JOHN MOORE

COMMERCIAL UNION Assurance, one of the largest UK insurance groups, is planning to pool resources with National Mutual Life Association of Australasia in an effort to develop its interests in Australia.

Commercial Union is to acquire the Australian fire and general insurance subsidiary of National Mutual, a major insurance concern in the Australian market, which will increase its annual *premium income from just* over A$80m (£50m) to nearly A$190m.

It is also planning to acquire National Mutual's general insurance business in New Zealand.

National Mutual will acquire the life assurance business of Commercial Union in Australia and New Zealand.

If the moves go through succesfully, a common link will be established between the two groups with National Mutual acquiring from Commercial Union 50 per cent of its 84 per cent shareholding in Commercial Union Australia.

This will reduce Commercial Union's stake in its Australian operations to 42 per cent. National Mutual will also acquire a half interest in the New Zealand concern.

Commercial Union said yesterday that the move would help it to reduce costs, gain outlets in the Australian market and put it in a stronger position while insurance conditions remained competitive in that market.

Its association with National Mutual Life, the second-largest life insurance company in Australia, would also enable the group to provide a more comprehensive service both in Australia and New Zealand.

News Analysis, Page 20

Muzorewa 'hopeful' over talks

BY TONY HAWKINS IN SALISBURY

BISHOP ABEL MUZOREWA, Prime Minister of Zimbabwe Rhoesia, said yesterday he expected to reach agreement with the British Government at next month's summit at Lancaster House in London. He told reporters after a meeting in the remote Urungwe Tribal Trust *land, 120 miles north-west* of Salisbury, that he was "always optimistic."

The Bishop added: "We are expecting we will reach agreement with the British and they will lift sanctions."

He also defended his decision to include former Prime Minister Mr. Ian Smith in his team to attend the conference with guerilla leaders and British officials. Mr. Smith's presence would be good because it would encourage many of the whites still remaining in Zimbabwe Rhodesia, said the Bishop.

He pointed out that Mr. Smith had led the Rhodesian team at the Geneva talks and had represented the transitional *government in the United States* last year.

In Salisbury, the High Court action initiated by Zanu leader the Rev. Ndabaningi Sithole to have the results of the April election declared invalid because of "gross irregularities" *was postponed indefinitely.*

The hearing is expected to last at least two weeks, and a new date will not be fixed until after the constitutional conference in London.

Continued from Page 1

Lloyd's syndicates

which time, if the limit is exceeded, the Lloyd's Committee calls for additional deposits from the members, which are lodged in trust and must keep pace with the volume of underwriting business accepted.

The stricken Sasse syndicate recently found that its premium limit had been exceeded two-and-a-half times, accepting business of £10m during one underwriting year against a limit of £4m.

Mr. Ian Findlay recently told members of Lloyd's that it was well nigh impossible to devise procedures at Lloyd's to prevent overwriting, and at the same time allow underwriters "to conduct their business with the freedom of decision and independence of action which is traditional and, I believe, essential to the health of this market."

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.